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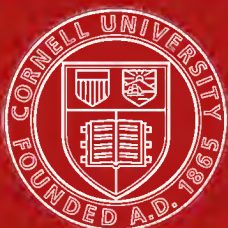
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STUDIES IN HISTORY, ECONOMICS AND PUBLIC LAW

EDITED BY

THE UNIVERSITY FACULTY OF POLITICAL SCIENCE
OF COLUMBIA COLLEGE

Volume IV]

[Number 1

THE
FINANCIAL HISTORY OF VIRGINIA

1609-1776

BY

WILLIAM ZEBINA RIPLEY, PH.D.

University Fellow in Economics

COLUMBIA COLLEGE

NEW YORK

1893

POLITICAL SCIENCE QUARTERLY.

*A review devoted to the historical, statistical and comparative study
of politics, economics and public law.*

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I

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INTRODUCTION.

A financial history is generally accounted a dull and lifeless work. Taxes, it is said, are hateful things in the eyes of mankind; they are not an enlivening subject for contemplation. But the same objection may be made to the study of any social evil. Such things are incidental to a state of civilization, and we study them in order to discover the most practical way of mitigating their abuses. The very existence of society organized in the state renders the study of financial history necessary,—“the maintaining of the publick in all estates being of no less importance, even for the benefit of the private, than the root and body of a tree are to the particular branches;”—to quote the words of Sir Edwin Sandys, the moving spirit of the Virginia Company. Thus there is ample justification for the task herein undertaken. So much for the subject matter: now as to the method which has been pursued.

To trace the gradual development of systems and theories is the main object to be attained. One does not look to a primitive society and its institutions for well rounded principles and technical details; for to construct a science of finance, where there was none in fact, would be to pervert the course of history. Theories do not arise until experience has taught man the abuses attendant upon social life. Consequently the financial history of this oldest American Commonwealth for many years is merely the story of the simple methods adopted by a people, too fully occupied in conquering a wilderness to spin fiscal theories, who wanted to support their incipient government in the easiest possible

way. All details which do not bear upon this evolutionary process, or which do not illustrate the origins of existing social institutions in some way will be omitted. "We must discriminate between history and antiquarianism;"—writes the historian Ingram—"what from the first had no significance, it is mere pedantry to study now." Nevertheless in a work of this kind much detail and many statistics appear to be unavoidable. I can only plead for these the eloquent excuse of Governor Dudley, of Massachusetts in a similar case;—"If any tax me for wasting paper with recording these small matters, such may consider that small things in the beginning of natural or political bodies are as remarkable as greater in bodies full grown."

To those gentlemen, in Virginia as well as in New York, who have been so unflinching in their courtesy to me, during the collection of the material for this sketch, I would acknowledge my sincere sense of obligation. The endeavor has been to justify, so far as possible, the assistance which they have so cordially rendered upon every occasion.

CHAPTER I.

DIRECT TAXATION.

The Rise of Private Property. The right of taxation vested in a state, as well as the obligation upon the citizen to contribute to the support of it, is based upon the institution of private property. It is necessary, therefore, in order to understand the early fiscal history of Virginia, to know how its lands were granted in first instance; what relation existed between the Virginia Company and the colonists; and finally how the institution of private property was evolved from the early communistic system. The colony was at first essentially a part of a private corporation, organized to develop a new territory in such manner as to secure the greatest profit to the stockholders. In pursuance of this idea, the royal instructions issued under the charter of 1606 "do establish and ordaine that the said several colonies and plantations and every person and persons of the same, severally and respectively, shall within every of their several precincts for the space of five years, trade together all in one stocke or dividably, but in two or three stocks at the most, and bring, not only all the fruits of the labours there; but alsoe all other goods and commodities, into several magazines or store-houses: and that there shall be chosen there, elected yearely by the president and councell, one person to be treasurer or cape merchant to take the charge and manageinge of all such goods which shall be brought into or taken out of the severall magazines."¹ This institution must not be con-

¹ Hening's *Statutes at Large*, i, 71.

founded with the Virginia Company itself; it was a subordinate part of it, the Company merely holding a controlling interest in its stock. It proved to be so fruitful of abuses, that it was abolished in 1620, after which date, trade was opened to every private individual in the colony.¹

The first modification of this system was introduced in 1613 under Governor Dale, after the expiration of the five years of compulsory communism. Three acres of cleared ground was allowed to each settler, together with one month's labor in each year; the other eleven months were to be at the disposal of the Company for the cultivation of the "public garden." At the same time each settler was granted two bushels of seed corn yearly from the common store.² Beside this, every adventurer who came to Virginia, or who sent a representative, received a hundred acres of forest land, together with a share in the Company. The price of a share to mere "adventurers of the purse" was twelve pounds, ten shillings.³ This proved so attractive that the land premium was reduced to fifty acres in 1616; but even then the development of the private estates had much weakened the Company's resources. The obligation of these settlers was

"to maintaine your Ma'ties right and title against all foreigne and domestique enemies. To watch and ward in the townes where they are resident. To do thirty-one day's service for the colony, when they shall be called thereunto—yet not at all times but when their owne busines can best spare them—to pay yearlie unto the magazine for himself and every man seivant two barrells and a half a piece of their beste Indian wheate. No farmer or other, who must maintain themselves shall plant any tobacco unless he shall yearly set and maintayne for himself and every man servant two acres of ground with corne by which meanes the magazine shall yearely be sure to receave their rent of corn."⁴

¹ Stith, 171.

² *Ibid.*, 131.

³ *Purchas's Pilgrims*, iv, 177c.

⁴ Neill, *Virginia Company*, 107.

Another method of tenure which was proposed as an inducement to the city of London to apprentice poor children to the Company was similar to the *Mitayer* system of Italy.¹ This was to place "tenants upon the publick lands with best conditions where they shall have houses with stock of corn and cattle to begin with, and afterwards the moiety of all increase and profit whatsoever."² After seven years of this holding it was to be replaced by a grant of twenty-five acres "in fee simple by socage tenure for the rent of 6d. for every five and twenty acres, in lieu of all services in regard of the tenure."³ One hundred children were sent over under this contract. But since the charter of the Company was recalled before the expiration of their apprenticeship, they became subject to the same quit-rent tenure as the other colonists.⁴

Finally, a third system of large proprietary grants was adopted, not unlike the feudal tenures of England. In this case, the tenants were subject not to the Company, but to the proprietaries who owned the lands, each making his own terms with tenants. Yet as land was so plentiful and cheap, the rents imposed were somewhat less onerous than those exacted by the Company itself, on account of the competition among the different proprietors. The first of these grants was made to Governor Dale, and was known as the

¹ Doyle, 187.

² *Virginia Historical Collections*, vii, 25.

³ *Ibid.*, 45.

⁴ The system is described in a curious rhyme called "*Newes from Virginia*:"

"And when that they shall hither come
Each man shall have his share,
Day wages for the laborer
And for his more content
A house and garden plot shall have;
Besides 'tis further ment
That every man shall have a part,
And not thereof denied
Of general profit, as if that he
Twelve pounds ten shillings paid."

Alex. Brown, *Genesis of the United States*, 422.

Bermuda Hundreds. On this plantation the tenants were required to render but one month's service in the year, "in neither seed time nor harvest," the other eleven being for their own private crops. This is in marked contrast to the Company's tenants who were obliged to labor eleven months for the use of the land, having but one month in the year for their own profit. In the Bermuda Hundreds, however, there was an additional tribute of two and a half bushels of corn yearly to be paid to the proprietor.¹ This system of tenure was rapidly extended, so that in 1620 there are records of eleven of these proprietary grants.² Their special importance here is that the rents to these freeholders were at first the only contributions which tenants had to pay. They were distinctly feudal in character, but from them were developed the public dues and services of a later time.

The Decline of the Virginia Company. These grants were at once a result, as well as a cause, of the rapid decline of the Company, especially under the pernicious administration of Governor Argall. The treasurer reported at a "great and general quarter court" of May 17th, 1620, that—

"The colony being thus weak and the treasury utterly exhaust, it pleased divers lords, knights, gentlemen and citizens to take the matter anew in hand, and at their private charge (joining themselves into societies) to set up divers particular plantations. But as the private plantations began thus to increase, so contrarywise the estate of the public for the setting up whereof about £7500 had been spent, grew unto utter consumption; for whereas the Deputy Governor, about May 1617, hath left and delivered to him by his predecessor a portion of public land called the Company's garden, which yielded to them in one year about £300 profit;—tenants eighty-one yielded a yearly rent of corn and service, which rent-corn, together with the tribute-corn from the barbarians, amounted to above twelve hundred of our bushels by the year; kine, eighty;

¹ *Virginia Historical Collections*, vii, 22.

² *Purchas's Pilgrims*, iv, 1776.

goats, eighty-eight. About two years after—viz., Easter 1619—his whole estate of the public was gone and consumed, there being not left at that time to the Company either the land aforesaid, or any tenant, servant, rent or tribute-corn, cow or salt work, and but six goats only.”¹

Thus it appears that the revenues of the Company, which was the government, were rapidly decreasing because of the changes in these various systems of land tenure. A secondary result was that the seeds of future discord were being sown, which caused much trouble when the questions of actual taxation arose. There were three distinct classes in this primitive society. The first was composed of the great proprietaries, who leased a part of their lands, cultivated another part themselves, but who also held extensive tracts of uncultivated forest land. These men were the most influential in the government for a long time. Secondly, there were the small farmers on the fifty and one hundred acre tracts, who cultivated their possessions directly, being subject however to certain rents to the Company. These men seem at first have been quite numerous. Lastly, there was a third class, composed of tenants, indentured servants, and a few petty traders, whose interests were allied with those of the small farmers. The development of these classes is important, since with the institution of negro slavery they finally came to have divergent interests which profoundly affected the forms of taxation during the colonial period.

The general discontent with the Company's communistic system soon became widespread. It was fruitful of so great abuses that many complaints are preserved in the old records.² And it was for this reason that the old arrange-

¹ *Virginia Historical Collections*, vii, 65.

² A letter to Lord De Lawar recites for instance that the Governor “takes the ancient colonymen, which should now be free, and our men from the common

ment generally fell into disuse. At the same time two distinct causes coöperated to bring about a change. These were the convening of the Assembly of Burgesses for the first time by Governor Yeardley in 1619; and secondly the growing extent of the colony which made a new institution,—the parish—necessary for the purposes of local government. These soon led to a sharp distinction between the Company as a corporate body, and the community as a body politic. The Company declined in importance before the developing state, and its revenues gradually languished into nothingness. The treasurer reported in 1621, that “the plantation founded and prosecuted with the charge of about one hundred thousand pounds, without any profit as yet, hath in these latter days been chiefly supported by his Majesty’s most gracious grant of the use of lotteries.”¹

Heretofore the various payments to the company, whether in land or in services, had been virtually taxes for the support of a public body, so far as the colonists were concerned. To be sure, they were levied by a private company to pay interest upon invested capital; but in return this body performed all of the services for the colonists which were necessary to satisfy their common needs. The real expenses incurred by it however were insignificant; they were regarded as part of the necessary outlay in a purely business venture. It was a question of dollars and cents with them. With the state, on

garden to set them about his own employments, and with the colony’s store of corn feeds his men.”—*Virginia Historical Collections*, viii, 34.

Also, “The heavy taxations that are laid upon us freemen for building of castles, paying of publique debts, for the not gathering of sasafra, etc., so that it will come to my share with that that is paid and that that is to pay in corne and tobacco to at least twenty, or five and twenty pound sterling this yeere (1617–8); so that when I have paid this and paid my faithlesse servants their wages, I shal scarce have good tobacco enough left to buy my sclfe for the nexte yeer a pint of Aqua vitae.”—*Purchas’s Pilgrims*, iv, 1806.

¹ *Virginia Historical Collections*, vii, 130.

the other hand, many considerations of a totally different stamp apply. After 1620, these new governmental expenditures began to increase in importance; and a study of their evolution reveals the fundamental purposes for which government exists. It shows the reason why the Virginia Company was totally inadequate to serve as a substitute for civil government in a developed society. But of course after its abolition in 1625, the community became a true body politic, and the real history of taxation begins.

The Beginnings of Taxation, and Public Expenditures. One of the principal charges on a primitive community like Virginia was the provision for the Governor's support and salary. At first this had been paid by the Company as an ordinary charge upon their budget; but with the appointment of Governor Yeardley, a new arrangement was made, whereby three thousand acres of land were "to be set out, so as to ease the Company henceforward of all charge in maintaining him." At the same time fifty tenants were transported by the company to cultivate this domain.¹ It was expected that this permanent establishment would suffice at least to pay his salary of £1000.;² yet the number of tenants was soon increased to one hundred, with the stipulation that the Governor should leave as many at the "expiration of his government as he findeth or went with there on his entrance." Governor Yeardley's additional offer to administer the twelve thousand acres of public land "gratis, the Company hold it not requisite to accept, but rather to dispose some part of his liberality another ways."³ It was, perhaps, well that they did so, for Stith tells us⁴ that despite his liberality, Yeardley left but forty-six of the hundred original tenants, and moreover, flatly refused to make up the deficit.⁵

¹ *Virginia Historical Collections*, vii, 22.

² Stith, 165.

³ *Virginia Historical Collections*, vii, 54.

⁴ Stith, 204.

⁵ It seems to have been the custom to allow the Governors extra compensation

The only other officer whose support was likely to be considerable—the Secretary—endeavored to impose fees for various sources upon the people; but the Council in England discontinued them, and as in the Governor's case favored a public domain for his use and profit, instead of fees. In conformity with this idea five hundred acres with twenty tenants was granted to him in 1620, and all the existing fees were abolished.¹ With the meeting of the first assembly, in 1619, a new corps of officers became necessary. And the first real tax levied in Virginia, amounting to one pound of tobacco per poll, was imposed on August 4th, 1619, for the support of the speaker, clerk and sargent for their services during this session.²

After providing in this way for the salaries of civil officers, it became necessary to take measures for the defence of the colony against the Indians. In this matter the colonists took the initiative at once. They wrote to the Company's officers that they were "very desirous to have engineers sent unto them for the raising of fortifications, for which they are content among themselves to bear the charge thereof." For this purpose it was ordered that "the fiftie part of their hundred be employed in this work till it be p'fected."³ Then, the fort having been built, it became necessary to garrison it, and this gave rise to the custom of commuting military services into payments in kind, exactly as had been done in England three hundred years earlier. In 1623 it was enacted that "every man that hath not contributed to the finding a man at the castell shall pay for himself and servants

at times, for the Treasurer of the Company moved at a meeting on March 3rd, 1619, that "for his better encouragement the Company would please to send him a present, it being no new thing, but much used by them heretofore." This custom is important, as it is the source of some of the extravagant claims of the later Governors to perquisites, which proved to be very vexatious to the colonists. — *Virginia Historical Collections*, viii, 47.

¹ Stith, 174.

² Acts, 1619.

³ *Virginia Historical Collections*, vii, 44.

five pounds of tobacco a head ;”¹ “ and that for defraying of such publique debts our troubles have brought upon us there shall be levied ten pounds of tobacco upon every male head above sixteen years of adge now living.”² It being also necessary to defend the colony against the exactions of the Royal farmers of the customs, still another poll tax of four pounds of tobacco was levied by the same Assembly to defray the expense of sending John Pountis as a commissioner to England.

In 1621 the county courts began to develop, and the parish first became a local body. This introduced a third charge upon the colonists, and in 1623 it was enacted “ that there shall be in every parish a publick granary unto which there shall be contributed for every planter a bushell of corne, the which shall be disposed by the major part of the freemen, the remainder yearly to be taken out by the owners at St. Tho’s his day, and the new bushell to be putt in the roome.”³ It was only in this matter of local finance that there was as yet any freedom of action ; the legislature was still subject to the London Company, in whose quarter courts various acts of the Assembly were much discussed.”⁴

Freedom in the domain of taxation was one of the first powers claimed by the infant state. But even as late as 1622, the Governor was instructed by the Company in the matter of these fort duties that “ this tax we haue here made, not to giue you authority (wch needed not), but to giue a good example by taking more of the burden than can be proporcionable can be due unto us—this diposition of mynds we assure o^r selves you shall find, if not you must make it, and compell them to their onne good, that will not otherwise understand it.”⁵ The colonists opposed this principle from the beginning, and one of the first acts of the next as-

¹Hening i, 127.

²*Ibid.*, 128.

³*Ibid.*, 125.

⁴*Ibid.*, 122.

⁵Neill, *Virginia Company*, 353.

sembly was especially directed against the exercise of this paternal power. It declared "that the governor shall not lay any taxes or ympositions upon the colony, their lands or comodities other way than by the authority of the general Assembly to be levyed and ymployed as the said Assembly shall appoynt."¹ And this power it held firmly through all the struggles with the ambition and avarice of its executives, reaffirming it from time to time as the occasion offered.

During the period to 1629 there are no records of legislation, and the Governor and Council apparently executed the laws then in force.² The needs of government were satisfied mainly by the personal services of the colonists, although a poll tax was doubtless levied from time to time, as the records mention payments of tobacco which could be met in no other way.³ The contributions, however, must have been largely voluntary, or at all events could not have been contested, for there is the greatest indefiniteness in the legislation on the subject. The first tax of 1623 was levied upon all "planters" over eighteen years of age; the second was laid upon every "male head" over sixteen, and in 1629 and 1633 the tax was merely "per pole," leaving the question of age or sex entirely undefined. As yet there were no local officials, as the Burgesses received the lists of their several plantations, which were made out by the masters of families and the freemen.⁴ Unless there had been a general recognition of the justice and necessity of such public contributions, and unless the burden had been moderate in amount, so primitive an arrangement would never have sufficed; that it was effective shows that the freemen generally acknowledged the claims of their incipient state, and did not attempt to evade their liability. In the period from 1730 to 1740 it became necessary to develop the system of collection, and the local

¹ Hening i, 124.

² *Ibid.*, 129.

³ *Ibid.*, 142.

⁴ *Ibid.*, 196.

⁵ *Ibid.*, 143.

government being modelled after the English pattern, this work of collection was assigned to the sheriffs of the counties.¹ They were made personally responsible for the taxes assessed in their districts; but at times this proved insufficient. As in 1644, when from crop failure, collection became difficult, the responsibility was transferred to the masters of plantations, who were given power to hold the crops of all the freemen in their households until the levies were paid.² This was the beginning of that complicated system of distress and forfeiture which developed later, as a result of the lax and improvident habits of the planters in colonial times.

Personal responsibility was thus the basis of taxation at first, but as the burden of taxation became heavier this liability was partly transferred to the real estate. A poll tax of considerable amount being necessary to build a fort in 1631, the law added,³ "that for such persons as have departed out of this county since the contract of the ffort and for such as have since deceased leaving sufficient estates, it is ordered that they shall be lyable to pay this tax." This contained the germ of a property tax, but its development was very slow; and practically it was not till after the Revolution that this merely contingent liability of real estate, except for extraordinary taxes, became anything like the general property tax which was the rule in the New England Colonies from the earliest times. There was, however, a general tendency manifested in favor of the property tax during the period following 1630. This, as we shall see, led to the temporary imposition of such a tax during an Indian war; but it soon disappeared in favor of other taxes. The idea that possessions were an indication of faculty appears ten years later, when the ideal system was "an assessment proportioning in some

¹ Hening 1, 279.

² *Ibid.*, 286.

³ *Ibid.*, 150, 157 and 196.

measure payments according to men's abilities and estates augmented unto the wealthier [sort by the number of milk kind, and by that relief afforded to the poorer sort, which course through the strangeness thereof could not but require much time of controverting and debating."¹ Even here no mention of real estate was made, for land was too plentiful and cheap; or perhaps the Assembly was so far controlled by the landed interests that it was more agreeable to consider property as measured by the number of cattle, rather than by the acres of land.

It is interesting to note that there was a general recognition of the justice of exemption for the minimum of subsistence though there was no legal provision ever made for it, and our quotation shows how great the opposition would have been to any attempt to introduce it. In fact the only exemptions at this time were at the opposite end of the scale. The Governor, his Council, and ten servants each, were relieved in 1639² from all public charges in accordance with the Royal instructions which Governor Berkeley brought with him. This was reduced to mere personal exemption in 1642,³ which remained the rule until 1676. There had been from the first some other exemptions but there was no established rule. The earlier Assemblies exempted all new comers from taxes and military services for a year, but in 1629 they were again made liable with the older colonists.⁴ This custom was reversed at a later time when all the old settlers were allowed special privileges. The system was more equitably adjusted in 1630, when new comers were exempted from the "marches" but were made liable to the payment of the public levies. None of these exemptions applied to the tithes, which were very considerable in amount;

¹ *Remonstrance of the Assembly against the charter of a new Company*, 1642; Burk ii, 68.

² Hening i, 228.

³ *Ibid.*, 307.

⁴ *Ibid.*, 141.

and the general principle appears to have been to levy upon everybody and collect where they could.

After 1639 the Governor appears to have received a regular salary allowed by the king from the tax upon tobacco exported, in place of the revenue from the lands formerly granted for his support, which had reverted to the king with the dissolution of the Company.¹ On the establishment of the Commonwealth this revenue ceased. To provide for his support an act was passed in 1643 levying a poll tax of the value of two shillings, to be paid in commodities at fixed rates.² There were two reasons for this departure from the custom of levying all taxes in tobacco; first, that it was a year of Indian troubles and short crops; and secondly, because the taxes in kind could be made so various that they would serve for the Governor's "accommodation for the present year." Thus he would not be subjected to the delay and risk of realizing upon his tobacco by shipping it to England in the disturbed state of affairs then existing. This view is supported by the further provision which ordered seven counties to pay in corn, while three were permitted to contribute general supplies. The sheriffs were empowered to hire boats and bring these provisions directly to the Governor's "palace." This, with the grant of a house and lot,³ completely provided for his support. It is a good example of the primitive method of taxation then existing under a system of barter, and before there was anything like a treasury or

¹ Burk ii, App. v; also p. 34.

² "Indian corne at 10 sb. per barrell, 2 barr. of ears to one of corne. Wheat at 4s. per bushell. Malt at 4s. per bushell. Beife at 3d. 1-2d. per pound. Pork at 4d. per pound. Good henns at 12d. Capons at 1s. 6d. Calves at 6 weeks old, 25s. Butter at 8d. per pound. Good weather goats at 20s. Piggs to roast at 3 weeks old, at 3s. per pigg. Cheese at 6d. per lb. Geese, Turkeys and Kidds at 5s. per peece."—Hening, i, 280.

³ Neill, *Virginia Carolorum*, 171.

a civil list. This lasted all through the seventeenth century, for as late as 1679 we find on the occasion of an Indian war "that every forty tythables (are) assessed and obliged to fitt and set forth one able and sufficient man and horse with furniture well and compleatly armed."¹ There was no intervention of the public body to provide supplies or ammunition, but the settlers coöperated to perform certain duties which were common to them all.

The Poll Tax versus the Land Tax. The year 1644 was filled with misfortune. There were disputes between the partisans of the Puritans and Cavaliers; and then it was deemed necessary to send Governor Berkeley to England to negotiate terms of peace. For this purpose an extraordinary tax of eighteen pounds of tobacco per poll was levied, of which the sheriffs "converted a great part to their private benefit."² We have already seen that all of the expense of providing for the support of the government had been cast upon the colony after 1625. The tobacco trade was greatly disturbed, and there was a shortage in the crop. There had been an outbreak of Indian hostilities, by which over three hundred lives were lost, and it became necessary to levy an extra poll tax for this purpose. Many settlers were impressed, and many others abandoned their plantations for fear of the Indians, so that the crops were still further curtailed.³ It became necessary to erect three forts, for which service many artisans were impressed. To meet all of these expenses the number of tithables was increased by including all negroes, men and women, and every fifteen who remained at home were held liable for the equipment and maintenance of one soldier in the field. The distress became so great that poor debtor acts were passed, and finally the planters were so hard pressed that they could not even pay their

¹ Henning ii, 435.

² Henning i, 286-297.

³ *Ibid.*, 287-291.

"wine debts;" and payment of two-thirds of these was extended until after the collection of the next crop.

The result of this accumulation of disasters was a great uneasiness among the people under the heavy burdens imposed upon them. In 1645, it became necessary to satisfy this popular demand by a levy of extraordinary taxes upon property, although all public charges had been met heretofore by means of a simple tax by the poll. This act¹ recited that "whereas the ancient and usual taxing of all people of this colony by the pole equally, hath been found inconvenient, and is become insupportable for the poorer sorte to beare, that (hereafter) all publique levies and county levies be raised by equall proportions out of the visible estates in the colony. The conformity of the proportions to be as followeth, vizt

One hundred aces of land	at	04 lbs. tobacco.
One cow 3 years old	at	04
Horses, mares and geldings	at	32 a peece.
• A breeding sheep	at	04
A breeding goate	at	02
A tithable person	at	20"

This act did not abolish the poll as a basis of taxation, as some historians have asserted. The capitation tax was continued at about the usual rate, while the other property taxes were merely supplementary, "being onely intended for the better support of the warr, and no longer to continue."² Consequently they were repealed in 1648, leaving the customary poll tax once more as the basis of all the levies. The preamble of the act, which is quoted above, was apparently nothing more than a sop to quiet the popular demand for a more equitable distribution of public burdens, extorted from the wealthy planters who held control of the assembly. This in fact marks the beginning of that struggle between the great and the small land owners, the

¹ Hening i, 305.

² *Ibid.*, 356.

cause of which lay deep rooted in the origin of private property under the old Virginia Company. This in time crystallized into a sectional as well as a class antagonism; and it lasted until Virginia was finally subdivided into two states. Already the wealthy planters on the tide-water belt were united in opposing a tax upon their uncultivated lands, while the tenants and small farmers favored the abolition of the poll tax.¹ This temporary property tax does not indicate the acceptance of any new principle; it was merely an expedient to meet a sudden emergency. The real change was long delayed; in the meantime a redistribution of power was necessary, through the increase in the number of small farmers by the settlement of the upland country. The old struggle for political supremacy between the men of the mountain and of the plain had to be definitely settled before there could be any permanent change in the systems of taxation.

The imposition of this land tax seems to have been indirectly the cause of a great many abuses in the following years, which were marked in other respects as well as by an unusual laxity in public morale.² In a community so scattered as was Virginia, where there were no towns and where each plantation was a completely self-sufficient organism, it was very easy to conceal the exact number of slaves, horses and cattle. In 1646 the first complaint on record was presented of "greate defect in the titheable persons, lands, horses, mares, *etc.*, to the prejudice of many who have duly and according to law presented their lists."³ Three years later the Assembly discovered that "notwithstandinge the yearly importation of people, the number of titheables is rather diminished than augmented."⁴ The youth of the colony under sixteen were exempted from the poll tax, yet

¹ Burk ii, 249.

² Doyle, 237.

³ Hening i, 329.

⁴ *Ibid.*, 361.

it appeared "that once passing under that age they are seldom or never acknowledged to exceed the same."¹ Female slaves being exempted, the custom of employing them as field hands instead of men became so general that an act was passed to cover the case. Even when taxes were paid they were often rendered in worthless tobacco, raised by "bad men" for that purpose.²

It must not be thought that all the abuses lay upon the side of the tax payers. The corruption and venality of the sheriffs was a constant cause of complaint. In the year of scarcity, 1644, we have seen that the sheriffs received "great private benefit" from a tax levied to send Governor Berkeley to England. Other abuses arose from the "vast extent" of the counties, or from the "multitude of other employments" of the sheriffs.³ The laws themselves were also very indefinite. Sheriffs were thus enabled to demand payment at disadvantageous seasons, often with the intention of compelling distress or forfeiture in order to increase the fees of their offices.⁴ Even the Burgesses declared in 1661 that "the fraud of sheriffs hath very much augmented the taxes." Lord Culpepper wrote that the levies were "commonly managed by sly cheating fellows that combine to cheat the public:" he affirmed that it cost twenty per cent of the taxes to collect them.⁵ The sheriffs often connived with the planters, so that an act was passed to punish all who took tobacco for tithables, whose names were not on the lists.⁶ Even this last expedient of posting all tithables on the court house doors was not enough, and a registry of births was instituted

¹ By a law of 1661, all males were made liable to the poll tax. This was moderated in 1680, when it was declared "too hard and severe that children shall be liable to taxes before they are capable of working."—Hening ii, 48c.

² Hening i, 170, ii, 186; also *McDonald MSS.*, vii, 9.

³ Hening i, 342.

⁴ Hening i, 358 and 389.

⁵ Ch. Campbell's *History*.

⁶ Hening ii, 412.

in 1672.¹ Penalties were made very severe, even to the extent of forfeiture of any slave concealed. And yet in spite of all these regulations the Burgesses were obliged to confess that evasion of taxes was very general.²

A curious but natural state of affairs resulted; the Governor and Council, as well as the Assembly and the people at large, were all agreed in condemning the poll tax. The difficulty was that their remedies and substitutes for it differed as widely as the underlying motives. In 1658 the Burgesses, representing the landed interests, considered "the burthensome and unequall waie of layinge taxes by the pole, and how just and proportionable it will be to impose the same on our comoditie made;"³ and ordered an export tax upon tobacco. Three years later they repeated that "the prudence of all nations hath provided for the defraying the publique necessary charges rather by laying an imposition upon the adventurer for the staple comoditie than by taxing the persons of the inhabitants."⁴ The motive behind this was doubtless their desire to abolish all direct taxes which bore upon them as planters and slave owners. Opposed to this advocacy of indirect taxes, the Governor and Council unanimously represented to the House in 1663 "that the most equal way of paying taxes is by laying a levy upon land, and not upon heads."⁵ The intention of this party was to take advantage of the sentiment in favor of the Royal prerogatives, which followed the Restoration, and by imposing a property quali-

¹ Vagrants were common in the year 1696, which was another source of trouble. The Assembly declared that "Whereas Loose & vagrant persons, That have not any settled residence do too commonly enter themselves singly and not in any housekeeper's list of Tithables, and when the time comes that the Sheriff goes about to collect the publique dues, they abscond and remove from place to place on purpose to defraud the County of their Levies by reason whereof ye Taxes grow the more burdensome and grievous to the settled p'sons of the Inhabitants of the County."—*Calendar Virginia State Papers*, i, 52, and Hening iv, 208.

² Hening ii, 187.

³ *Ibid.* i, 491.

⁴ *Ibid.* ii, 133.

⁵ *Ibid.*, 204.

fication upon the voters, to disfranchise the class which was most inimical to the Crown and its interests.¹ This latter object, indeed, was accomplished by a different expedient, but its effect was rather unexpected. The "little folk," the tenants and small farmers, now appear to have welcomed this proposed land tax, although they had not yet come to regard it as other than a resource for extraordinary occasions, as we have seen it was in 1645. Naturally they desired to make the greater land owners pay the public charges, and so "lessen the levy by the pole."²

It was a question of great importance, for this was a time of "extraordinary taxes," and the poll tax far exceeded all the other public charges, including, as it did, the local taxes. These were very heavy, so that the total levy was often in excess of one hundred lbs. of tobacco a head.³ The Assembly now by an appeal to the people, on the plea of restraining the political power of the Governor, gained their support in the rejection of his proposals. And any lingering distrust on the part of the would-be land taxers, was allayed by the unctuously flattering declaration that "the lives and industry of the citizens were more valuable than lands and houses." The consequence was that the Governor yielded to the people; the people gave way to the Assembly; and the poll tax was continued, although it was gradually reduced by custom duties upon liquors and slaves imported, and the export of tobacco. It remained, nevertheless, the only direct tax which was levied, the quit-rents being merely nominal and being paid to the King. On all extraordinary occasions it was the main support of the government, as in 1662 when fifty pounds of tobacco was levied to build James

¹ Burk ii, 137.

² *Ibid.*, 249.

³ *Virginia Historical Register*, 1850: reprint of a letter of Gov. Spotswood.

⁴ Burk ii, 137, and Henning ii, 480.

City. In 1674, again, fifty pounds with cask was imposed or two years, to pay the expenses of sending Commissioners to England to remonstrate against the patents granted to Lord Culpepper and others.¹

This extra tax of five shillings more or less, which was more than double the ordinary levy, was coupled with 'court fees of seventy pounds for suits in the general, and fifty pounds for suits in the county courts.'² It seems indeed to have been one of the causes which led to the popular outbreak in 1676, known as Bacon's Rebellion. The abuses which we have seen were so common in administration, had become unbearable; malfeasance in office,³ and misapplication of the colonial revenues, added to the discontent induced by the languishing state of the tobacco trade⁴ and the war with the Dutch; the restriction of the suffrage by various acts of Assembly; all combined to produce a great popular discontent,⁵ and the old question of the poll *versus* the land tax came to the front once more. The duty of a shilling a hogshead on tobacco exported, did not suffice to pay the expenses of government, and the popular demand was that it should be supplemented by a land tax. This it was urged would be "the most equal imposition, and will generally take off the complaints of the people, although some of the richer sort will not like it, who hold a greater proportion of land than they actually plant; who may then by an expedient, very beneficial to the country, lay down

¹ Hening ii, 174, and 313.

² *Ibid.*, 506, and *Eleventh Census, History of Tobacco*, by R. A. Brock.

³ Hening ii, 353.

⁴ Doyle, 235.

"Our trade is now in a more declining condition than bath ever been known," largely by reason, of the "low value or rather no value of our comodity tobacco."
—*McDonald MSS.* V.

⁵ Oldmixon, 250.

part of their lands to be taken up by such as will employ it."¹

Here again appears a demonstration against the class legislation which was so often the rule in Virginia politics, and which we shall see recurring upon every possible occasion. The whole control of the Assembly and of the county courts was, in this period after the Restoration, more than ever in the hands of the landed gentry; and they insisted upon a continuance of the poll tax, in spite of the wishes of the Governor and of the small planters and tenants. The so-called Virginia Long Parliament, elected after the Restoration, sat until 1676,² and capped the climax of abuses by levying this extraordinary charge for sending Commissioners to England entirely upon the devoted polls of the "poorer sort." New forts were built by laying more taxes of the same kind; and great abuses had crept into the method of granting land patents, which likewise bore with peculiar force upon the yeomanry, the tenants, the artisans, and the poor whites. These "little folk," with the voters disqualified by that act of 1670³ which restricted the suffrage to freeholders and housekeepers, were the followers of Nathaniel Bacon in the notorious rebellion of 1676.

The brutal suppression of the revolt and the subsequent pernicious rule of Culpepper, strengthened as he was by the most liberal grant of power from the King, put an end to all hopes of a reform in the methods of taxation. Complaints were sent to the Board of Trade and Plantations in England from time to time; but this august body contented itself with recommending naively to those who complained of unjust taxes that they find a more easy way of raising money.⁴

¹ Letter from Mr. Bland, collector of customs; reprinted in Burk ii, 249.

² Doyle, 237.

³ Henning ii, 280.

⁴ *Minutes, Sainsbury MSS.*, viii, 220.

This Council, however, after a while began to take note of these complaints and in a letter of September 20th, 1683, recommended that the poll tax be abolished and a duty upon tobacco be substituted for it.¹ On the appointment of Lord Effingham as Governor he was commanded by the King to discover a way of raising revenue "more equal and acceptable" than the customary poll tax.² There was as yet no tax upon land, and this poll tax, though now secondary to the indirect taxes, was often considerable in amount. Still it tended gradually to become lighter toward the close of the century.³

The Decline of Direct Taxation after 1700. The general theory of taxation in vogue about the beginning of the eighteenth century was that the land paid its just proportion of public burden through the quit-rents; that foreign trade was charged with the customs duties; while "stock" was of little account."⁴ Since the quit-rents had largely fallen into disuse previous to Governor Spotswood's advent, the first part of this theory was not true; the customs duties did indeed produce a very considerable revenue, but a large part of them were as yet accounted for by the Auditor and Receiver General, who were royal officers; they were devoted to the payment of their salaries, and the support of the Governor and Council, and thus were not available for general expenses. The general, county, and parish levies were in ordinary

¹ *McDonald MSS.*, iii, 31. To this communication the Governor made reply, that "all these instructions are extremely good and necessary, but I have not as yet had occasion to put them in practice."

² *Ibid.*, Oct. 24th, 1683.

³ The poll tax was in 1674, 12 lbs. of tobacco; 1682, 89 lbs.; 1684, 47 lbs.; to 1686, 104 lbs.; to 1691, 18½ lbs.; to 1692, 17½ lbs.; for 1692, 13¾ lbs.; to 1694, 21 lbs.; 1695, 22¾ lbs.; 1696, 16 lbs.; 1697, 16 lbs.; to 1699, 19 lbs.; to 1700, 9 lbs.; 1705, 3¼ lbs.; 1710, 9¼ lbs.—Hening, vol. iii.

⁴ *An account of the present state and government of Virginia*, Blair and Chilton, 1697; *Massachusetts Historical Collections*, Series i, vol. v.

times the only direct taxes which could be depended upon; and they alone were paid into the hands of the treasurer, who was responsible to the Assembly, and who was appointed by it.¹

In a time of peace the principal expenditures were for these official salaries; consequently the poll taxes became less and less important. There is in fact no record of a levy of tobacco for nearly twenty years after 1710.² The Burgesses, secure in a source of revenue which allowed the exemption of their lands from taxation, condemned the poll tax henceforth "as grievous and burthensome;"³ and indirect duties were declared to be the "most easy expedient for raising a fund to answer the exigencies of government without subjecting the people to a poll tax."⁴ So opposed was the Assembly to the capitation tax that, when there was a threatened Tuscarora uprising in 1711, and in the sudden emergency it became necessary to increase the revenue, they refused to resort to their old expedient at all. Instead of this they passed a law to impose a ten per cent. duty upon all imports from Great Britain, which even when reduced to six per cent., was of course promptly vetoed by the Governor.⁵ He proposed, as Governor Berkeley had done fifty years before, a tax of a half a penny an acre upon lands; but the Assembly—"men of narrow fortunes and mean understandings"—simply ignored the proposition, and sat seven weeks without as much as referring to this proposal.⁶ The con-

¹ Burk ii *Appendix* xix.

² The levy of 1710, 9¼ lbs., and then of 1727, 10½ lbs.

³ Hening iv, 143, 1726.

⁴ *Ibid.* v, 26, 1738.

⁵ Governor Spotswood wrote, "I'm persuaded they would propose taxing the Import of goods from Great Britain as one of their chief Funds,—that they might throw the expence as much as possible off themselves."—*Spotswood Letters*, i, 130.

⁶ *Spotswood Letters*, i, 133.

sequence of course was that neither a land tax nor a duty upon imports was levied.

The next few years (1713-14) were marked by some embarrassment in the tobacco trade; so that the duty upon imported tobacco did not even suffice to pay the Governor's salary, and the public revenues were considerably curtailed. The deficit in the budget was also increased by a systematic evasion of the quit-rents. The Governor declared that the Burgesses "were persons of the meanest Capacities and most Indifferent circumstances, and whose chief recommendation to that Post is their declared resolution to raise no Taxes upon the People for any occasion whatever."¹ This worthy official was doubtless prejudiced to some extent; yet it is true that considerable obstinacy was manifested by the Assembly. They had, however, a special object in view, which was political rather than fiscal in its significance. They were trying to force the Governor to devote the quit-rents to the ordinary expenses of government instead of remitting them to the king. The Assembly exhibited a marked tendency, nevertheless, toward the abolition of all direct taxes, which was characteristic of the eighteenth century.

After 1715 there succeeded a period of peace and prosperity, during which matters settled down into a regular course, which was not interrupted until the war with the French in 1756. The general expenses of government, exclusive of the fixed salaries, were still met by a poll tax: it was small, however, varying from three to five pounds of tobacco a head.² In 1718 the Governor declared that,

¹ *Spotswood Letters*, Aug. 9th, 1715.

² The general levy by the Assembly was: 1727 to 1730, 10 $\frac{1}{2}$ lbs.; 1732, 9 lbs.; 1733, 8 lbs.; 1734, 8 $\frac{1}{2}$ lbs.; 1734-6, 7 $\frac{1}{2}$ lbs.; 1736-8, 11 lbs.; 1738-40, 6 lbs.; 1740-2, 4 $\frac{1}{2}$ lbs.; 1742-4, 6 lbs.; 1744, 5 lbs.; 1748-52, 12 $\frac{1}{2}$ lbs.; 1752, 5 $\frac{1}{2}$ lbs.; 1753-5, 6 $\frac{1}{2}$ lbs.; 1759, 6 lbs.; 1761, 6 lbs.; 1762, 7 lbs.; 1768, 2 sh.; 1766, 8 lbs.; 1769, 9 lbs.; 1772, 6 lbs. The county levy in 1732 was 4 lbs.—Hening, iv, 370. Burk gives the average levy for county expenses as 3 $\frac{1}{2}$ lbs., iii, 403.

"Neighboring provinces must envy Virginia's ease from Public levies when they shall know that 80 lbs. of tobacco per poll is the total sum that has been levied on her people for eleven years past."

Thus the development appears to have been analogous to that of the mother country during the eighteenth century. There, as in Virginia, indirect taxes and especially excises, became more and more popular. It is but natural that the influence of such statemen as Walpole, and the economic writers like Petty and North, should have been felt in this colony. At last the distaste for all direct taxes became so strong that the attention was directed to them rather than to persons or property, even for extraordinary occasions and sudden emergencies.¹ In 1748 a proposition was made to move the capital of the Colony from Williamsburg to a site on the Pamunkey river, and the question of compensation to the first named city was raised. The only expedients that could be devised to obtain £6000 for this purpose, were an increase of the regular export tax upon tobacco, despite the great embarrassments in this trade, and the imposition of a tax of ten shillings upon all coaches and chariots. The Assembly rejected absolutely a resolution to raise the money by a poll tax.² Although the entire project came to naught, it is a clear indication that the ancient direct tax by the poll was in great disfavor. Nevertheless, it was still levied from time to time, as we have said, and was a considerable source of revenue. It was the only elastic tax; the others were

¹ An act of 1753, for the encouragement of settlers on the Mississippi, for instance, imposed an ad valorem tax of 5% on all slaves imported, 20 shillings on all four-wheeled carriages, and 10 shillings on every 2-wheeled chair, 20 shillings on every ordinary vehicle, 2 sh. 6d. on every suit in the general court, and 1 sh. 3d. on suits in county courts.—Hening vi, 417. It was voted "with great sollicitat'n and all the possible Int's I c'd make."—*Spotswood Letters*, 1753.

² *Journal*, Nov. 11th and 18th, 1748.

limited by the conditions of trade; the tobacco tax was not disposable by the Burgesses, being granted to the king's officers; and the liquor duties could not be screwed to a higher notch for fear of prohibiting the traffic. The main point to be noticed is that the real property of the colony was not regarded in any sense as a basis for public contributions. The owners of carriages, even, were taxed because they could afford them as luxuries, while their houses and lands were exempted, as being necessary to their comfort and support.

Why did the sentiment in Virginia turn in this way from the early poll tax in favor of a system of indirect taxes on exports and imports, if there was so complete a domination of the landlords' interests in the legislature? If the early system was allowed, why had it now become their interest to change the general basis of taxation? Two answers may be found: first, the change in the system of land tenure; and secondly, the growth of the institution of negro slavery. Under the Company the policy of small peasant proprietorships was fostered; but this gave way in a few decades to an extensive monopoly of the soil by a few proprietors. The soil was cultivated at first by white servants who were imported under indenture,¹ to work for a master a few years, and then become independent proprietors. Under such a system the poll tax did not bear with especial weight on the wealthier planters, who were absorbing the land in the first half of the 17th century. The indented servants becoming free in a short time, at once assumed their due share of the burden of taxation.

After 1640 a considerable change in the character of the immigrant population took place.² The earlier indented servants were succeeded by an ignorant and vicious class of transported paupers and convicts, children ["kids"] were

¹ Hening i, 257.

² *Life of Thos. Jefferson*, by Geo. Tucker; Doyle, 383.

kidnapped in great numbers, and a considerable trade in white slaves was established.¹ As the cultivated territory became more extensive the evils of this old system became more apparent; and the planters turned to the growing slave trade of Africa for their supply of labor. Consequently the negro slave rapidly took the place of the white servant toward the close of the century, largely owing to the influence of the Royal Africa Company.² There were three times as many white servants in 1671 as there were negroes. In 1724 it was said, "that these servants are but an insignificant number when compared with the vast shoals of negroes." By 1756 the negro tithables numbered over 60,000, while all of the white tithables, masters and servants, amounted to only 43,000.³ The negro was better suited to the climate, was contented in a state of servitude, and would never hope to emerge from it. On the other hand, the indented servants were a restless, discontented lot. There was no place for them on the expiration of their apprenticeships; no towns and no manufactures existed; the land was all owned by the great planters; and there was no possible chance for competition with slaves in agricultural labor. The new slave system was therefore economically justifiable; but it was ill adapted to recommend the poll tax to the great slave-holders. This tax had been a partial relief to the proprietors in earlier days. With the new system it became peculiarly onerous to the planter, who was responsible for the tithes of all his laborers; and this great change in the character of the laboring classes offers an adequate explanation for the decided change in public sentiment which took place.

¹ Hugh Jones' *Present State of Virginia*, 1724.

² For an excellent description of the pernicious influence of this great monopoly on the economic development of the South, see the *Life of R. B. Taney*, by Samuel Tyler, Appendix 580.

³ Hening ii, 515; Hugh Jones; *Dinwiddie Letters*.

In connection with the various constitutional reasons which appealed to all classes alike, it caused the partial retirement of the poll tax during the early part of the 18th century.

The French and Indian War. The colony was rudely shaken out of its peaceful content by the French and Indian war of 1756. This was the first great struggle in which the matured colony engaged. It became necessary therefore for a time to broaden the basis of taxation, and to recognize another principle of public contributions. The first impulse of the Burgesses on the outbreak of hostilities was to turn at once to the poll tax which, although relegated to a subordinate place in the budget, had long been the customary resource for all extraordinary occasions. It was resolved in 1754, "by great Persuasion, Many Argum'ts and much Trouble" on the part of the Governor, to raise £20,000 by a poll tax of 2 sh. 6 d., or 30lbs of tobacco to be levied twice during the year.¹

In the spring of 1755 more money was needed, and the poll tax on negroes was again the main stay,² but it was supplemented by a tax of 1 sh. 3d. on every hundred acres of land. This is remarkable as the first land tax which had been imposed for over a century, despite the agitation and struggles of the minority in the Assembly. The fund arising from the export tax on tobacco was almost exhausted;³ nothing more could be expected from it; and in August 1755 £40,000 more was levied at 3 sh. per poll and 1 sh. 3d. per hundred acres of land, to be continued for three years.⁴ The Assembly tried in vain to impose a five per cent. duty on imports, but it was abandoned as impracticable.⁵ The legislature then essayed various methods of raising money which should be less onerous than direct taxes. They endeavored

¹ Hening vi, 436.

² *Ibid.*, 463.

³ *Journal*, March 25th, 1756.

⁴ Hening vi, 522.

⁵ *Journal*, Aug. 8th, 1755.

to set up a Loan office and issue a large amount of paper, but the Governor held them in check for a time; then they tried a lottery, but finally were obliged to revert to taxes.¹ The distress and poverty of the people became very great.² Yet the poll and land taxes were the sole resource; the rates were doubled and trebled,³ but they were grudgingly granted and proved difficult to collect.⁴ The rate per poll was screwed up to 5 shillings, and upon land to 3 shillings per hundred acres.⁵

The Governor at first seems to have regarded the poll tax as the most available one, for, driven to desperation by the aggressiveness of the Assembly in asserting its financial

¹ "Money is so extremely scarce, y't in order to protect our Frontiers an act is passed for a lottery to raise £6000 and to allow the Treasurer's notes to pass as money for the amo' of £20000."

² "I think I c'd raise two or three thous'd Men, but the people are so very poor we cannot raise money to pay, cloth and maint'n them."—*Dimwiddie Papers*.

³ DIRECT TAXES LEVIED DURING THE FRENCH AND INDIAN WAR.

Session, when Passed.	Date of Payment.	Poll Tax (Shillings).	Land per Hundred Acres.	Amount.
October, 1754.....	April, 1755.	2.6	—	£10000
October, 1754.....	October, 1755.	2.6	—	10000
May, 1755.....	April, 1756.	2 (negroes.)	1.3	20000
August, 1755; March, 1756.....	April, 1757.	1	1.3	} 65000
August, 1755; March, 1756.....	April, 1758.	2	2.3	
August, 1755; March, 1756.....	April, 1759.	2	2.3	
August, 1755; March, 1756.....	April, 1760.	2	2.3	
April, 1757; March, 1758; September, 1758..	April, 1761.	4	3	.....
April, 1757; March, 1758; September, 1758..	April, 1762.	4	3	.....
April, 1757; March, 1758; September, 1758..	April, 1763.	4	3	.....
April, 1757; March, 1758; September, 1758; March, 1762.....	April, 1764.	5	3	.....
September, 1758; February, 1759; March, 1762.....	April, 1765.	5	2	.....
September, 1758; February, 1759; March, 1762.....	April, 1766.	5	2	.....
March, 1760; May, 1760; February, 1759; March, 1762.....	April, 1767.	5	2*	.....
March, 1760; May, 1760; February, 1759; March, 1762.....	April, 1768.	5*	2*	.....
March, 1762.....	April, 1769.	3*	1.3*	.....

* Repealed March, 1768.

⁴ *Washington Letters*, by W. C. Ford, i, 251.

⁵ *Hening* vii, 9, 77, 165, 172.

supremacy, he proposed to the Governors of the other colonies that they recommend an Act of Parliament for a general poll tax. Of this, he observed "the Poll tax at 2 sh.¹ w'd not be much felt if the poorer sort w'd only deny themselves Punch for one Day at the Courts, w'd pay that tax." With the increasing distress he changed this view, and two years later proposed to reduce this poll to twelve pence and to levy two shillings on the land.² This modification was recommended "as the most equal, as it will be chiefly paid by People of the greatest Property and great Land Holders." He affirmed that this would raise £6,000 and with the quit-rents would amount to less than ½d. an acre, as the total burden on the land owners. Assuming the average value of a slave to be £60, as it was a few years later,³ a poll tax of five shillings would amount to a rate of four mills on the dollar, although this was increased considerably by the poll tax upon the owners and their families. At all events it was less than a rate of a cent an acre on land, which was all the land owners as such would have to pay. Land was probably worth from two to ten dollars an acre according to quality, which would make the average rate less than two mills on the dollar.⁴

This certainly does not appear to be a very equitable proportion between these two levies. The poll tax in the first year of the war bore the whole charge of the campaign. There were about 105,000 tithables in 1759,⁵ which at a two shilling rate ought to have produced over £10,000; whereas the two shillings tax on land for the first two years of the war yielded less than £4,000. This land tax in fact was a secondary resource; it was not imposed until a year after

¹ *Dinwiddie Papers*, July 24th, 1754.

² *Ibid.*, Feb. 23d, 1756.

³ *Richmond Dispatch*, Aug. 16th, 1877.

⁴ Letter of R. A. Brock, Esq., of the Virginia Historical Society.

⁵ *Burnaby Travels*, 711.

the war began, when the poll tax was reduced; and therefore its proportional rate of increase was far less; it was not augmented in March 1762, when an additional poll tax of five shillings was levied for five years; and finally the act of March 1768, which repealed all the war taxes, reduced the land tax a year earlier than the others. The revenue from the poll tax bore an ever increasing proportion of the charges upon the budget; it was 2.4 times greater than the revenues of the land tax in 1763; in 1766 it was estimated to be three times as great; and in 1769 was expected to yield four times as much.¹ This land tax was levied, as it had been a century earlier, only as a last resort, when all other expedients of loans, lotteries, customs, and excises had failed: it was reduced at the first possible opportunity, and never was expected to yield over £10,000 as in 1763, while the poll tax was calculated to produce thrice that amount.² In 1763 the poll tax alone produced more than all the other taxes, on land, on tobacco, and on slaves imported, together with the licenses, fees, and carriage duties which now appeared for the first time³ as general taxes.⁴

There is no departure in principle, then, during this war, from the course which had been customary from the settlement of the colony, of demanding all direct contributions on a *per capita* basis. The treasury notes which were issued during these years, were merely to anticipate revenue, and were not productive in themselves. We have seen that later in the 18th century, the easy expedient of indirect taxes was discovered, but their application was limited by the exigen-

¹ *Journal*, March 24th, 1763. ² *Ibid.*, February 28th, 1759. ³ Hening, vii, 640.

⁴ The revenues from the various taxes were as follows: Tithes, £24000; land £10000; export tobacco tax, £5000; slaves imported, £2000; carriage tax, fees, process taxes, &c., £2000—producing a total net revenue of £39919. This is a fair indication of the proportion borne by each tax during this period.—*Journal*, May 24th, 1763.

cies of the tobacco trade, and the political influence of the Royal African Company. In short, they were of far less importance than has been generally supposed. Direct taxes for the greater portion of the time were the main items in the budget, and of these direct taxes the poll tax was the most productive. Especially for extraordinary occasions did it constitute the principal resource, both because of the failure of indirect taxes to respond readily, and because at such times, as we have seen, the tobacco trade was often completely prostrated. The two reasons why the capitation tax was popular in the Assembly were; first, that in ordinary times it did not in an agricultural community like Virginia, where property consisted largely of slaves¹ and where land was plenty and cheap, differ very widely in practice from the principle of contribution according to faculty; and secondly, that such inequality as was produced favored the class which controlled the legislature.²

This power of the landed tide-water aristocracy had been very great. Yet although it was deep rooted in the customs, traditions and law of the Commonwealth, a change was impending. The old régime had been fruitful of enormous abuses. The office of sheriff had been too often regarded as a position of profit. Being earned by a gratuitous service as justice of the peace, it was liable to be manipulated for all it was worth during the short term before the next justice in succession became entitled to the position.³ This

¹ In 1756, there were 43329 white tithables, and 60078 blacks.—*Dinwiddie Papers*, February 23d, 1756.

² Sir William Keith wrote in 1726, "Land is so plenty and to be had so very cheap in America, that there is no such thing as a tenant to be found in that country, and this makes it impracticable to find an assembly of such freeholders in any of the colonies, who will consent to lay any tax upon lands." Compare also *Burnaby's Travels in America*, 717.

³ The rule of appointment by "seniority and rotation" is well exemplified in petitions praying the favorable consideration of the executive.—*Calendar Virginia State Papers*, vi, 309-458.

mercenary estimation of the sheriff's office caused great rivalry for the place during times of prosperity, when the emolument was large; but it was a difficult matter to find men to serve in seasons of distress. Oftentimes the taxes of several counties at a time would remain uncollected for years.¹ And all payments being made in tobacco, extortionate commutation rates for money were charged in those districts where the crop failed or where tobacco could not be grown, whereby great profits accrued to the sheriff.²

This malversation of office at last extended even to the highest positions of state. The Treasurer and Speaker of the House, after the war, loaned more than £100,000 without collateral security, or even personal notes,³ to his allies the great planters, who were overwhelmed with debts to their English factors. This man was the acknowledged leader of the aristocracy, and being threatened with exposure and ruin, as most of the debts were repudiated, his confederates nearly succeeded—so completely did they dominate the government—in a plan to transfer all these bad debts to a public land loan office. This was frustrated by a new party, which found its constituency in the upland counties.⁴ But as late as 1769 the old party succeeded in so completely covering up its tracks, that but for the timely death of the Treasurer the whole significance of the land bank scheme would never have been revealed. It was the contingent from the hardy and energetic Scotch-Irish settlers of the Western district, under the leadership of Patrick Henry, which now gradually assumed the control of affairs. This party remodeled the fiscal system on a less exclusive basis, and prepared the way for the great struggle for independence in 1774.

The Situation in 1770. After the conclusion of this first

¹ Hening, viii, 201.

² *Ibid.*, 381.

³ *Journal*, November 22d, 1769

⁴ *Life of Patrick Henry*, by W. W. Henry.

war, there was a general reversion to the old system of indirect taxation whenever possible.¹ First of all, however, the staple commodity could not be heavily taxed, as on it depended the whole prosperity of the colony. When the war debt was funded, it was found that this could be done only by enormously increasing the tobacco taxes. But it was resolved that this excessive tax should be gradually refunded to the planters by means of a poll tax of 3 sh. 6 d., to continue until 1775.² The only taxes which did not bear too heavily upon the agricultural interests as such, were the customary liquor duties, and those special taxes which we have seen were developed during the late war. Coaches and chariots were taxed at twenty shillings, and two-wheeled chairs at ten shillings, by a law of 1769. Ordinary licenses were fixed at twenty shillings; and suits at law were taxed at 2s. 6d. for the general, and 1s. 3d. for the county courts respectively, in each case to be included in the bill of costs. The revenue from these was not great; their importance here is derived from the fact that they constituted the germs of that complicated system of fees and licenses which developed later to meet the needs of the matured state. When the United States absorbed all the revenue from customs duties, these excises were substituted for them. During the colonial period they were merely supplementary sources of revenue.

The colony was on the eve of a struggle for independence which would tax its resources to the uttermost. It had made good its title to the soil against the savages, but now it was called upon to cope with a power which fought upon the sea as well as upon the land. Virginia had for many years relied upon her poll taxes and the export tax

¹ "It hath been found by experience that the taxes on process, ordinary vehicles, and wheel carriages, and additional duty on slaves, and a tax on tobacco made and shipped, are easy to the people, and not so burthensome as a poll tax."—Hening, viii, 343 and 498.

² *Journal*, May 24th, 1765.

upon tobacco. But war upon the sea meant a closure of the market for tobacco, and other fiscal expedients became necessary. Moreover, the poll tax, which had sufficed for all ordinary purposes of revenue, was totally inadequate to serve as a war tax alone. At first it had been a fairly equitable tax, while land was plenty and cheap, but with the development of new conditions it had become an engine of oppression, against which a large part of the people revolted. Slavery also had taken a firm root in the colony, and the workings of the poll tax had been therefore altered for the worse. Consequently, on the outbreak of the Revolution the old question of the poll tax *versus* the property tax had to be argued anew. Then, however, the balance of power was shifted, and the former invariable result of a victory for the polls was less easy to attain. The history of the Revolutionary period marks therefore a turning-point in the history of taxation in this colony.

CHAPTER II.

THE QUIT-RENTS.

Origin and Development. The original intention of the Virginia Company after the abolition of the communistic arrangement was to promote the growth of an independent yeomanry which might hold lands for a time by a métayer tenure; but which should be gradually changed into a general system of peasant proprietorship. The early charters of 1609 and 1612 contain no mention of any perpetual tribute; lands were to be held in free and common socage; and the only rights the crown reserved were the customary fifth part of all gold and silver discovered, with a five per cent. duty on imports. But for some reason this scheme proved unsuccessful, and the custom of making large proprietary grants of land became so widespread that the influence of the Company itself was greatly impaired.¹ On the downfall of this corporation it is probable that all the lands reverted to the crown, but that the grantees were allowed to hold their estates subject to a nominal rent charge, which should be a recognition that the title to them was vested in the king. All of the patents which were granted after 1625 provided for a uniform annual rent of one shilling for every fifty acres, payable at the feast of St. Michael's, but not to commence until seven years from the date of the grant: it was also stipulated that at least three acres in every fifty should be cultivated within the first year. This was inserted to prevent any further extension of the former grants of land to

¹Doyle, 187; Neill, *Virginia Carolorum*, 56.

the king's favorites.¹ The rate thus established was not changed in theory during the colonial period, but the other restrictions were a dead letter, so that no further mention is made of them in the statutes or correspondence of the times. The king, moreover, was not bound by any law at that time; and disregard of the rights of the colonists in respect of their lands was a fruitful source of trouble, which was aggravated by the quit-rent payments exacted of all who held sub-grants of the proprietors.

The quit-rents were not regarded as a fiscal measure, or a tax; they were a recognition of the king's ultimate sovereignty, in whom the title of all lands was vested. They were essentially feudal dues, "acknowledgments His Majesty receives of the People's Tenure and Subjection."² And as such they were a convenient argument for the Burgesses at various times against the chartering of new Companies,³ or the granting of great tracts of land to the king's followers. At such times even the fiscal importance of these rents was conscientiously urged by the Burgesses, as for instance in 1631, when the Assembly declared they ought to produce £2000 a year, which the king would lose by rechartering the Company. As a matter of fact the revenue rarely exceeded one-half of this in the hands of the royal officials. Yet the latent possibilities of it proved a constant temptation to adventurers to obtain grants which should entail such payments, from which they might by industrious exploitation obtain a large income.

¹ Hening i, 228; *Calendar of State Papers, Colonial Series*, January, 1637; Doyle, 187.

² *Spotswood Letters*.

³ "We cannot without breach of natural duty and religion give up and resign the lands which we hold from the King upon certain annual rents, to the claim of a corporation; for besides our births, our possessions enjoin us as a fealty without a *salva fide alliis dominis*."—*Remonstrance of the Assembly*, 1642; Hening, i, 233.

A grant of one-third of Virginia was made by Charles II in 1669 to Henry, Earl of St. Albans, and others, on consideration of an annual payment by them of £6-13-4, but it seems not to have been accepted. The revenues of the Crown were too small after the Restoration to tempt others to apply for them, and we may believe that they were scarcely worth the trouble of collection; for in 1671 the king granted them all to a "deserving servant," Col. Henry Norwood¹ Soon after this Lord Culpepper became Governor, and through his influence at court obtained a Royal grant of all the lands in Virginia, including all former grants as well. He was to enjoy all the rents and arrears of rent for thirty-one years, and was empowered to grant parcels of land for two shillings an acre, annual rent, payable in "lawful money." The only obligation on his part was to pay forty shillings to the king as a yearly rental.² This flagrant breach of justice to all the early settlers raised such an outcry, that agents were sent to England to protest against it. It will be remembered that the taxes levied for this purpose were the occasion for the outbreak of Bacon's Rebellion.

Lord Culpepper at first offered to surrender his claim for £7000 in cash, or £1000 yearly during his term in office.³ A compromise was then arranged whereby he abandoned all his claims, except to the quit-rents and escheats, which latter due had been fixed at 2d. an acre.⁴ The most onerous condition was the obligation to pay in money, which was very scarce; but the Commissioners succeeded in compromising this, Culpepper agreeing to receive tobacco, while the colonists were to reckon it at 1½d. a lb., instead of at the rate of

¹ Hening i, 572.

² *Ibid.*, 516. The language here is ambiguous, but it appears that more than the mere commissions for collecting were implied.

³ *Sainsbury MSS.*, A, 79; Burk, ii, Appendix, xxi.

⁴ The charter of 1660 fixed these at two lbs. of tobacco per acre.

2d. which had been agreed upon in 1661.¹ The contest was long continued, until Lord Culpepper at last renounced all his claims in 1682, except to the lands lying in the Northern Neck, between the Rappahanock and Potomac Rivers; and received instead of the quit-rents for the remainder; “£600 on the establishment of the Forces for twenty years and a half.”² This remained as a regular charge upon the revenue from these sources, and was administered by the King’s officers.³ No further mention is made of it, but it is probable that it was scrupulously exacted during the life of Lord Culpepper at all events.

This semi-feudal system remained in force until the Revolution without any further change, and the rents in the Northern Neck continued the private property of Culpepper’s heirs. In 1776 the other rents which had been paid to the king were transferred to the uses of the Commonwealth,⁴ and the next year they were abolished altogether, “that lands may not be granted on or subjected to any feudal tenure, and to prevent the danger to a free state of a perpetual revenue.” The special grant to Culpepper of the Northern Neck was however not included in either of these laws; yet the planters there were allowed 2 sh. 6d. currency per hundred acres from the Commonwealth treasury as a recompense.⁵ In 1779 even these were abolished, and all lands were to be held henceforth as “absolute and unconditional property.”⁶ The rents in the Northern Neck were sequestered for a time as held by “alien enemies.”⁷ After the war they were reimposed; until 1785, when an act “was passed almost unanimously” which abolished them forever.⁸

¹ Hening ii, 31; Burk, ii, Appendix, xxviii and xlv.

² *Virginia Historical Register*, vol. iii, § 14; *McDonald MSS.*, vi, 299.

³ *Sainsbury MSS.*, xi, 17 and ix, 108.

⁴ Hening, ix, 127.

⁵ *Ibid.*, ix, 359.

⁶ *Ibid.*, x, 64.

⁷ *Ibid.*, xiii, 113.

⁸ *Madison’s Letter*, December 24th, 1785.

Administration and Fiscal Importance. These quit-rents, which were in ordinary times the only land taxes in the colony, were collected and accounted under the direction of a special officer who was responsible to the king, and in no way constituted a part of the colonial financial system. This official was known as the Treasurer at first, and received £500 a year for his services;¹ but when the Assembly gained the right to appoint a treasurer for its own funds, he was called the Receiver General, and an Auditor was appointed to keep the accounts. The salary of both was fixed at a percentage commission on the receipts amounting to above fifteen per cent. The sheriff was the local collector, and was accountable for his funds to these officers, receiving a commission of ten per cent. for his services.² This revenue was generally farmed out by the Receiver General to some councillor, and was collected in tobacco or transfer notes,³ although it was lawfully due in money of the realm. This tobacco was then sold at "easy rates," to the Governor, or some member of the Council for money, by which operation the law was fulfilled, and the officials received a fat perquisite as well."⁴

The fund was so small after the abandonment of Culpepper's Grants, that the Commissioners of the Customs, in informing the Lords of the Treasury as to the colonial

¹ Hening i, 306, ii, 31.

² Blair and Chilton.

³ The rate at which tobacco was received in lieu of money was fixed from time to time, and shows a steady decline in the price of that staple. In 1619, it was 3 sh. and 1 sh. 6d. a lb., according to quality.—(*Journal*, 1619,) 1645, 3d. [Hening, i, 316]; 1661, 2d. (Hening, ii, 99); 1676, 1, 5d. (Burk, ii, Appendix, xlv); 1682, 1, 2d.; (*Census* 1880, sketch by R. A. Brock, Esq.) [Hening, ii, 506]; 1697, 1d. (Blair and Chilton.) During the 18th century the customary rate was one penny a pound.

⁴ The governors discouraged the use of money, as they could buy their supplies cheaper in tobacco. An ox which was worth 50 sh. or £3, he could buy for 600 lbs. of tobacco, which cost him only 4 sh. or 4 sh. 6d. a hundred weight, and so he would save about 50% on his purchase.—*Blair and Chilton*, 1697.

revenues in 1692, forgot to make any mention of the quit-rents at all.¹ Various statutes were passed during the 17th century to enforce the payment of these rents, and inducements were offered for the prompt settlement of arrears by compounding them for double;² but still the "great neglect" continued—even the penalty of absolute forfeiture of the land for non-payment for three years did not prevent the receipts from decreasing year by year. In 1631, the Bur-gesses affirmed it would produce £2000 a year "if duly collected," but nearly a half century later, when the popula-tion had increased eight-fold the revenue was but £1500,³ and in 1690 it was only £800.⁴

This proved to be the low water mark, however, for with the advent of Governor Spotswood there was a considerable reform in the system. When the sheriff received ten per cent. for collection, the Receiver General seven and a half per cent. for holding,⁵ and the Auditor eight and a half per cent. for accounting the rents; and when such as were paid consisted of "trash tobacco" which, poor as it was, was sold at "easy rates" to the inside members of the magic circle for current money; and when this fund, if drawn upon in Eng-land, had to be discounted nearly twenty-five per cent. be-low the sterling money of the realm; the wonder is not that the receipts were small, but that they amounted to anything but a deficit by the time they reached the Crown. The first step in reform was to abolish the established custom of sell-ing the tobacco "by inch of candle" to the members of the Council.⁶ It was ordered that henceforth it should be vended by the Auditor at private sale for more remunerative

¹ *Sainsbury MSS.*, pkg., iv, 57.

² Hening i, 351, iv, 79.

³ Burk ii, Appendix, xxi.

⁴ Blair and Chilton.

⁵ *Virginia Historical Register*, iv. Col. Wm. Byrd held this office for seven-teen years at seven and a half per cent. on the receipts.

⁶ *Spotswood Letters*, 1610.

rates. At the same time the penalties for non-payment of the rents were made more stringent. Another evil of the old system was "due in a great measure to the pernicious (tho' antient) practice of discharging all public debts by Tobacco paym't. This has been—the Governor declared—the occasion of making all that Trash, w'ch hath clog'd the market—many people making it for no other end than to pay off Debts and levies, for which purpose they think it good enough, how mean soever it be."¹ This was remedied by an official inspection of all tobacco which was brought to market; and it was from this beginning that the elaborate system of transfer notes was developed.

Besides all this, Governor Spotswood affirmed that for years no regular accounts had been kept,²—that all charges had been reckoned in crowns sterling, while the sales were computed in current money, whereby a profit of over nineteen per cent. accrued to the officials—and that there had been systematic collusion between the Receiver General and the Burgesses to defraud the Crown. All of these evils were remedied so far as possible, often in spite of some opposition on the part of the people. And Governor Spotswood informed the Lords of Trade that "The Scheme for improving His Majesty's quitt rents is likely to answer fully my expectations,—the Public Credit which was one main end thereof being now raised above 200 per cent."³ The revenue from this source was indeed increased for 1715–16 to about £1900, the average for five years having been but £1100;⁴ but it was not maintained, and the rents soon fell into neglect again.

Decline and Disappearance. In 1717 the Governor com-

■ *Spotswood Letters.*

² *Ibid.*, ii, 176. In 1711 over 10,000 acres of land were found to have been fraudulently exempted.—*Letters*, July 28th, 1711. ³ *Ibid.*, March 28th, 1715.

⁴ *Ibid.* Oldmixon declares the yield in 1703 was £1200.

plained once more that three million acres which should have paid £3000, did not in fact produce a half of it; that it cost ten to fourteen per cent. to collect these rents;—and that the officials indulged the planters by accepting tobacco at one penny a pound “which was not worth the half of it.” This habitual neglect and fraud continued during the whole colonial period; for as late as 1755 a law was passed which declared it to be almost impossible to obtain a judgment against a sheriff for the non-payment of the rents collected. The county courts were composed of landlords, and they were loth to render a decision in such cases; so that, even if collected, the Crown oftentimes could not obtain the proceeds from the sheriffs or collectors. By 1738, the revenue from this source was estimated at about £3500,¹ although it is doubtful if the actual proceeds ever reached that amount. The tax became more and more unpopular with the people, and proved more difficult to collect with the spirit of opposition to the rule of Great Britain.

The opposition to the quit-rents on the part of the colony was threefold in its nature. The first reason was because it was a land tax which, though small, was unpopular with the landed aristocracy. Secondly, the early forms of it required payment in money, which was extremely scarce and was always at a considerable premium. At several times the people openly refused to pay in this way—the assembly even passed a law providing for payment in tobacco, and refused to repeal it at the Governor’s request. But after “boldly disputing” his right to demand money, they became more humble, and petitioned for commutation, which was granted at the rate of a penny a pound.² The third reason for its

¹ *History of the British Plantations in America*, by Sir Wm. Keith.

² *McDonald MSS.*, November 20th, 1685.

unpopularity was that the quit-rents constituted a fund which was beyond the control of the Burgesses, and served to give independence to the royal officials.¹ During the Commonwealth, the fund seems to have been devoted to the regular governmental expenses.² The opposition to a return to the old system after 1660 was so great that the sheriffs would not collect the rents, and a law had to be passed to compel them to serve.³

During the seventeenth century the English sovereigns seem to have been willing to allow the proceeds of the quit-rents to remain in Virginia, as a resource for extraordinary occasions. No drafts were made upon it, and upon petition, grants were allowed by the king in aid of the regular income. In 1698 we find £2955 granted from it toward payment of general expenses, the petition of the Receiver General declaring it "hath been usual in the like cases."⁴ And a few years later there was nearly £6000 in the Auditor's hands.⁵ But several changes soon ensued: Governor Spotswood reformed the system and compelled a more prompt settlement in good tobacco; there was considerable distress in the tobacco trade, and the distaste for direct taxes was increasing. Finally, the policy was inaugurated by the Crown about this time, of drawing upon the quit-rent fund as fast as it was paid in⁶—nay more, it was often overdrawn, as in 1714 when £3000, three times the annual revenue, was called for. The receipts from the two-shilling export tax were exceedingly small during that year, and the matter was brought to a head when the Assembly petitioned that the quit-rent fund might be devoted to the regular charges of government for the time being. This request was ignored,

¹ *Sainsbury MSS.*, xi, 231.

² Hening i, 306.

³ Hening ii, 83.

⁴ *Calendar Virginia State Papers*, i, 58-177.

⁵ *Virginia Historical Register*, iii, 14. ⁶ *Spotswood Letters*, June 2nd, 1713.

whereupon the Burgesses repeated it,¹ enforcing their demands by a resolve to lay no more taxes until an answer was returned.² It was a curious struggle, partly constitutional, yet tinged with personal interests. The Governor seems to have been willing to concede the request of the legislature, but in a letter to the Council prayed earnestly that an answer, if favorable, should be returned to him, so that he could use it with proper effect upon the Burgesses.³ It is probable that the Assembly won its way for the time, for a donation of £300 is recorded out of the quit-rents. The constitutional question, however, was left as undecided as before.

Thus the matter rested for a time, but the opposition was often quite violent on occasions, as in 1716, when an attempt was made to draw up a new and more complete rent roll than one made about the middle of the previous century. It was as a partial consequence of this struggle that Colonel Ludwell was dismissed from the office of Receiver General, because he refused to yield to the Governor's request for fuller accounts and stricter methods. The Crown, however, strictly maintained its rights in the matter, although they were questioned once more in 1719.⁴ Donations were made from time to time toward the support of the college, as had been done in 1692 and 1726;⁵ or in 1717 to eke out salaries of various officials and pay war expenses, but these were merely as

¹ *Journal*, October 24th, 1715.

² "Upon a diligent search of Precedents here the like deficiencies were formerly made good, We find it has always been out of the Fund of the quit rents Which used to be received in this Countrey ready upon all such occasions, and proved exceedingly Serviceable in cases of Sudden emergency, 'till about nine year ago (1705) they were called in to the Exchequer in England—So there is no obtaining them but by repeated applications to the Throne, wch cannot be made without great charge and difficulty."—*Calendar of the Virginia State Papers*, pg. 177.

³ *Spotswood Letters*, 1715.

⁴ *Ibid.*, March 25th, 1719.

⁵ Blair and Chilton, and *Virginia Historical Register*, iii.

marks of royal favour.¹ After the second decade of the century, but little mention is made of these rents. That they existed, however, is shown by a law of 1755, which declared that treasury notes would not be receivable in payment of such dues. It is probable that the growth of the colony, especially the development of the western country, and the general opposition to all interference on the part of the Crown, led gradually to the abolition of these feudal dues as one of the first measures of the Revolutionary Assembly. It had served as a very convenient excuse for the exemption of all the land from taxation; the revenue from it was not sufficient to make it a fiscal resource of any importance; so that with the growth of the democratic and independent spirit of the Virginia patriots, it was gladly swept away. Its history is interesting, as it was one of the few examples of feudal institutions which have ever survived for any length of time on this continent. It shows the essential difference in social ideas which divided the North from the South, but it perished with all other minor differences through the growth of a national spirit.

¹ John Davis, *Travels*, 390.

CHAPTER III.

CUSTOMS DUTIES.

History of the Tax upon Tobacco Exported. The government of Virginia manifested a great interest in the prosperity of the tobacco crop from the earliest days. It was plain to all that the welfare of the whole colony was inseparably bound up with the rise or fall in the price of this staple commodity. The histories of the time abound with examples of interference with the affairs of the settlers, either by an absolute prohibition of planting, by limitation of the amount which could be raised, or by regulation of the price which should be demanded. Yet for many years the possibility of deriving a direct revenue for the support of the state from this source, was not recognized. As late as 1654, an act was passed which granted a free export of tobacco, subject to no "taxe or custome whatsoever."¹ Indeed, the primary consideration in a tax of this nature, was by no means merely fiscal. The causes of the first duty on tobacco were threefold; first, in order that they might with "most honor & ease support the government in well paying of its officers;" secondly, "as means perhaps of introducing money;" and finally as "an encouragement to men to produce other usefull and beneficial commodities." The last consideration was closely allied to the customary policy of the early Virginia Company, which had always been to direct the attention of the planters to other crops of more "staple" products. They wished to avoid a concentration

¹ Hening i, 413.

of all interests in one direction, as it involved the danger of famine and distress which are always attendant upon the cultivation of a single crop.

In conformity with these principles, a shilling a hogshead was levied in 1657 upon all tobacco exported, to be accounted by the masters of vessels.¹ This revenue was to be devoted to the payment of the Governor's salary of £600, for which at this time the Assembly was solely responsible. This tax does not seem to have been very satisfactory, for it was repealed the following year, because "certaine inconveniences have been found in the manner of collecting to which an apt remedie could not be applied." The next year it was reimposed at ten shillings per hogshead upon all tobacco not exported to England.² This was a prohibitive tariff directed against the Dutch, as was also an act of 1657. It was not intended to produce revenue. The mother country was contesting for commercial supremacy upon the sea, and the colony was bound to lend its aid to the project. This act of 1658 remained in force for some time, although the New England vessels were exempted from the duty in 1665. This was done because the act had "drawne much trade into Marryland," the lower duties upon tobacco there operating as a bounty upon the export of tobacco.

The policy of the colony in taxing tobacco to this time had been rather political than fiscal in its nature. It was merely incidental to the general colonial policy of Great Britain. The first duty which was laid for revenue purposes primarily was that of 1661, when a tax of two shillings a hogshead was imposed upon all tobacco exported from Virginia.³ Collectors were appointed by the Assembly; they were to receive salaries of ten per cent. on their receipts, and all the machinery of administration was to be subject to the control

¹ Hening i, 410.

² *Ibid.*, 498, 523 and 536.

³ *Ibid.* ii, 130.

of the legislature. The revenue was to constitute a fund from which the regular expenses of government were to be defrayed, since the Assembly had accepted the changed condition of officers in England, and assented to the return of Governor Berkeley upon the old terms in force before the Commonwealth. This law is the pattern from which all the later acts were copied; and the nominal rate therein established remained constant for a century and a half. It was supplemented by an act of 1663, providing that duties should no longer be receivable in "refuse contemptible goods," but must be paid in money or good tobacco.¹ Before long the planters tried to evade the tax by exporting their tobacco in bulk, so that the duty of two shillings was likewise laid upon every 500 lbs. so shipped.² Beyond this there was little change in the form of the duty, the only modifications being to secure a more complete return from shipmasters, in order to prevent smuggling. It was re-enacted in 1705, and from time to time until the Revolution, the rate being two shillings per hogshead.³

We have seen from a study of the quit-rents how the price of tobacco tended to decrease during the seventeenth and eighteenth centuries: some compensation had to be made for this, else would the tax have become exceedingly onerous if the nominal rate of duty had not been reduced in some way. The cask or hogshead, which at first was fixed at 500 lbs. weight, was finally increased to nearly double, *viz.* 900 lbs. net, which of course was tantamount to a reduction of the rate, the charge per hogshead being constant. In 1769⁴ the rate was reduced to 1 sh. 6 d. for two years; it should be noted, at just the time when the poll taxes were being continued at a high level to pay off the war debt. The reason for this

¹ Hening ii, 186.

² *Ibid.*, 413.

³ *Ibid.* iii, 344, and vii, 77-259, 333.

⁴ *Ibid.* viii, 345.

seeming inconsistency was, however, that other duties had become necessary upon the export trade, in order to compensate sufferers from losses by fire and flood in several of the tobacco warehouses. It must be remembered that the Commonwealth was responsible for all tobacco stored in these public warehouses, for which transfer notes had been issued, so that these various losses often constituted a considerable charge upon the budget. Then again there had long been¹ a duty of 1 d. a lb. on tobacco for the benefit of the College of William and Mary, which was a public institution in many respects. This it is true did not yield a very considerable revenue, but it was at least a figure upon the statute books, and was an argument against the further increase of the customary duty upon tobacco.

In 1776, it was enacted that "all duties and taxes shall cease to be collected upon any tobacco to be shipped from this country."² Moreover all exports to Great Britain were forbidden, and bonds of £1000 were required of every shipmaster that he would not land his cargo in any part of his Majesty's kingdom. All liability of the State for losses of tobacco in any warehouses was removed, and the way cleared for a reorganization of the whole system. At the following session of the assembly the rate of duty upon all tobacco exported was fixed at ten shillings per hogshead.³ This war rate corresponded to the various taxes which were laid at the same time; but the French West Indies were at first excluded from the provisions of the act, by reason of the treaty with France.⁴ This was, however, settled by agreement in 1779, so that when the duty was raised to thirty shillings during the next year it was applied to all exports uniformly.⁵ The purpose seems to have been to direct the planters rather

¹ Henery ii, 429, 692; vi, 91.

² *Ibid.* ix, 162.

³ *Ibid.*, 350.

⁴ *Ibid.*, 551.

⁵ *Ibid.* x, 13.

to the cultivation of necessary commodities by making this tobacco trade unprofitable. There was great scarcity of the ordinary food supply; and at one time salt was urgently needed, so much that free export of one hogshead of tobacco was allowed for every five bushels of salt imported.¹

This ruinous rate of thirty shillings was not maintained throughout the war. It was clearly prohibitive, except so far as smuggling was concerned. And after the cessation of hostilities the colony was so completely prostrated that every effort was directed toward a removal of all restraints upon the revival of international trade. There was no longer danger of famine; the embargoes had been raised, and the encouragement of the staple industry was the surest way to prosperity. Consequently the rate of this duty was reduced to eight shillings in 1781, and again to four shillings two years later. The Confederate Congress made a requisition upon the Commonwealth in 1787 for \$90,000, and six shillings additional was levied to raise this money. But the repeal of the requisition following shortly afterward, the product of this extra tax was transferred to a newly created sinking fund.² It lasted but a year, and the general tendency remained as before in favor of a reduction of the tobacco duties as speedily as possible.

After 1789, all duties upon commerce were forbidden to the separate states, and it became necessary to recognize a new principle, if this charge were to be continued. The inspection of this staple was still necessary in order to maintain its price abroad, although the old tobacco currency had fallen into disuse. And the expenses of storing, weighing and inspection were considerable. Therefore, the old duty was reimposed at six shillings a hogshead, and so continued until 1809, when private inspection was authorized instead.³

¹ Hening x, 149.

² *Ibid.* xii, 288, 453.

³ Shephard's *Statutes*, 1809, 55.

The charge was then fixed at \$1.75 a hogshead, but it was merely as a fee to cover the cost entailed. This fee was also probably for a partial guarantee against loss by fire, and may be regarded as an insurance premium.¹ We shall see later, that with economies in the methods of inspection this fee inadvertently developed into a real tax, yielding upwards of \$18,000 a year, so that it had to be reduced to conform to the provisions of the Constitution of the United States.²

The Fiscal Importance of this Tax. What part did this duty play in the colonial budget? How much revenue did it produce? It must be remembered that it was first laid at a time when the Assembly was responsible for all the charges of the government, and when it could itself regulate the amount of its expenses, the Governor being its creature. Then came the Restoration, and the return of the old Royal officials, whose salaries had to be paid in some way. The Assembly therefore extended this novel revenue during the next few years, and it served henceforth for the support of the Royal establishment. It was devoted exclusively to this purpose, was granted to the king, and was audited by the Royal officials.³ In 1671 about 15-20,000 hogsheads were exported yearly, which would be equivalent to £1500 or more.⁴ Of this the Governor received £1200 and the Council £350, so that deficits in the fund were not infrequent. During the next thirty years the gross revenue amounted to

¹ The old liability for losses in the public warehouses had been resumed with the rehabilitation of the tobacco currency. A tax of three shillings a hogshead, for instance, was levied for several years to cover a loss at Rocky Ridge in 1785. —Hening xi, 393.

² *Calendar Virginia State Papers*, July 21st, 1789.

³ *McDonald MSS.*, October 10th, 1670.

⁴ Burk ii; Grahame's *Rise and Progress of the United States*; Hening, ii, 516, and Chalmers' *Political Annals*.

£2-3000 annually.¹ The export varied enormously with the accidents of the season, but it averaged 30,000 hogsheads during this period,² which at two shillings would produce about £3000.

During the eighteenth century the revenue did not increase very rapidly. The second decade was even marked by a considerable deficit in the public revenues. This was owing, so far as this export duty was concerned, to the low price of tobacco which prevailed from 1705 to 1714, and which greatly discouraged the foreign trade.³ There was also another reason, namely, the exemption from all duties, of goods shipped in Virginia vessels. As the Governor explained the matter, "the Revenue must necessarily decrease the more the Inhabitants fall into Trade, seeing their Vessels are exempted from paying all those Duties by w^{ch} it is rais'd."⁴ Oldmixon states that even as late as 1734 the revenue from the export tax was only £3200,⁵ and Governor Dinwiddie, twenty years later, complained that this two shilling tax did not even suffice to pay the regular salaries.⁶ This last instance, however, was probably due to the exigencies of the French and Indian War, which prostrated all foreign commerce. It seems as if the revenue ought to have been considerable, for the exports of tobacco nearly doubled after 1750, being 40-50,000 hogsheads on the average, and sometimes exceed-

¹ The product was £2781 in 1675. [*McDonald MSS.*] In June, 1676, £2377 was paid from the fund. [*Sainsbury MSS.*] In 1688 £3731, and 1696 £2500. [*Ibid.*] By 1697 it amounted to £3000, but the shipmasters received ten per cent., the collector ten per cent., the auditor seven and one-half per cent., and the salaries themselves were £2500 a year.

² Oldmixon; *Tenth Census, History of Tobacco*, by R. A. Brock, Esq.

³ *Calendar Virginia State Papers*, i, 177, and *Sainsbury MSS.*

⁴ *Spotswood Letters*, October 24th, 1715.

⁵ Keith's *History of the British Plantations* gives a similar revenue in 1738.

⁶ *Dinwiddie Letters*, i, 343.

ing 60,000.¹ After the war the product of this tax was computed in the budget at £5000, and probably remained near that figure until the Revolution. The fees and expenses of collection were very large, and all of the remainder, the net revenue, was devoted almost exclusively to the payment of salaries, since the Assembly, it will be remembered, relied upon other taxes for its contingent expenses.

We have seen that although the revenue from these tobacco duties was not more than sufficient to maintain the Royal officials, yet since for many years the salaries constituted the principal charge upon the budget, the export tax upon tobacco was the only indirect tax which was of any great fiscal importance. It will be interesting therefore to see whether it was a profitable expedient for the assembly to employ in lieu of other taxes. Tobacco was a luxury; it commanded a high price; and the only important rivals of the Southern colonies of America in the European markets were the Spanish possessions, so that for many years the trade was very profitable to the planters. But the sovereigns of Great Britain soon perceived this fact, and proceeded to suck as much profit from it as could be attained. The whole history of Virginia is filled with discussions and complaints of the policy of England in this regard from the time of the memorable contracts of James I to the Revolution. Petition after petition was sent to Parliament asking for relief, either by the grant of free export to Continental countries, or by a reduction of the existing duties on tobacco in England. The revenue of Great Britain from tobacco duties was enormously increased after the Restoration, and by the mid-

¹ The exports of tobacco in 1740 amounted to about thirty thousand hogsheads, which would produce but £3000. (*U. S. Census*, 1880.) In 1759 fifty to sixty thousand hogsheads were exported. (*Burnaby's Travels*.) In 1758 they amounted to seventy thousand hogsheads. See also *Dinwiddie Papers*, October 25th, 1754.

dle of the eighteenth century was about £3-400,000 a year.¹ When it is considered that about 6d. a lb. custom duty was charged in England, that no tobacco could be exported elsewhere, that it cost about £6 a hogshead to ship it from Virginia to the market,² and that the proceeds were generally returned in goods upon which a considerable profit, besides all freight charges, was laid,—it will appear that this trade was sufficiently burdened without adding another export duty of two or even six shillings a hogshead upon the tobacco from Virginia.

All of the contemporary writers tell of the frequent distress occasioned by this combination of restraints, especially after 1700. In 1685, many hogsheads of tobacco were sold at twelve pence apiece, it is said, rather than pay the various duties and freights.³ Upon the accession of James II the duties had been considerably raised “in a warm fit of loyalty,” so that even the Governor was forced to admit that he had observed “since ye additional duty hath been laid on tobacco, many seem to be discouraged, either from shipping present or planting future crops.”⁴ It was furthermore alleged that even before the increase of the duty, tobacco had often been sold at a loss. We are told again in 1724⁵ that

¹ Oldmixon, 320; Grahame's *Rise and Progress of the United States*; also Burk, iii, 136; *McDonald Papers*, v, p. 1, and Hall's *History of the English Customs*.

² The prices for tobacco in Virginia in 1732 were from two to three and one-half pence a pound, while it sold for seven pence in England. The incidental charges per hogshead had been only about seven shillings eight pence in 1694, but during the eighteenth century contemporary accounts show that the net proceeds were ridiculously low. For instance one shipment of six hogsheads, averaging nine hundred to one thousand pounds each, yielded to the planter but £15-2-8 net. It will be clear that such profits could not withstand a great deal of discouragement without being swallowed up entirely.—U. S. Census 1880, *History of Tobacco*, by R. A. Brock, Esq.

³ Oldmixon, 263.

⁴ *McDonald MSS.*, November 14th, 1685.

⁵ A frequent practice was that of “running tobacco, or entering all light hogsheads at importation (into England), which in their language is called ‘Hickory

the losses upon tobacco were frequently very heavy, and the expedients for avoiding payment of the duties were many and intricate. Twenty years later the Assembly represented "the distressed State and Decay of our Tobacco Trade occasioned by the Restraint on our Export, which must if not speedily remedied destroy our Staple,"¹ and they prayed for "a free export of their Tobacco to foreign Markets directly."

Yet the colony was not completely at the mercy of Great Britain, for despite their greed the English sovereigns were limited by their own policy in the exactions which they could demand. They dared not tax the tobacco trade too heavily.² Governor Spotswood, for instance, relating that in one of the best tobacco counties there had been a great deal of hemp and flax raised, which had been made into cloth, added, "it is certainly necessary to divert their Applications to some other Commodity that may be beneficial, or at least less prejudicial to the Trade of Great Britain."³ This then was the only restraint which was put upon England in furthering her colonial policy. Tobacco was surely the safest crop which Virginia could raise; and so it was taxed to the utmost limit, which would not divert her attention to products which competed with British commodities in foreign countries.

In view of all these facts it seems at first sight that the attempt to raise a revenue from the tobacco exports was merely to overload a sinking ship. But, as was urged again and puckerly,⁴ and then again by getting a debenture for tobacco that has been run, or entering all heavy hogsheads for exportation, which they call 'Puckerly hickory,' after which it is said that the same tobacco has been runned into some neighboring port."—*Present State of Virginia*," Hugh Jones, A. M.

¹ "It must be owned that the Multiplicity of Duties, Drawbacks, Bonds and other Regulations of the Customs, wherewith that Trade is perplexed, has in a Manner forced the Merchant into many little Contrivances which in all probability would otherwise never have been thought on."—Keith's *History of the British Plantations in America*, London, 1738.

² Burk iii, 136.

³ *Spotswood Letters*, May 20th, 1710.

again, there was no power to levy import duties, and there was but one export of any importance. Consequently this was taxed, the people meanwhile deluding themselves with the notion that because the tax was not taken directly from their pockets, it was paid by the foreign buyer. The only justification for the duty on fiscal grounds was perhaps that the tobacco trade would have been taxed to the verge of destruction in any case, that being the express policy of England, and therefore that Virginia might as well get what was possible from it herself, else it would be taken at the other end of the line. This export duty was common to most of the southern colonies, and perhaps under the circumstances it was as good an expedient as could be devised for dealing with the mother country. Its tendency, at all events, was to equalize somewhat the distribution of public burdens, since it fell with particular severity upon the planters who favored themselves, as was natural, perhaps, in every other way. But at the same time the revenue was exceedingly variable; it depended upon the most uncertain factor of all things earthly, the weather; it was conditioned by the particular fiscal needs of the Parliament in England, and was moreover liable to complete destruction by any change in the foreign policy of that body, which might bring on a war or open the way to commercial competition from the Spanish rivals in the tobacco trade. Thus it was good so far as it went, but it will readily be seen that it was ill adapted to serve as a fiscal basis for a developed state. Other more stable taxes were necessary, and there was but one of these which the Burgesses would allow.

The Import Duty upon Liquors. The Virginia Company by the charter of 1606 was allowed to take provisions, arms, ammunition and clothing from England duty free for a period of seven years,¹ and was also granted the right of imposing

¹ Hening i, 63.

certain import duties upon these goods in Virginia. The letters-patent given to Sir Thomas Gates conferred authority "to take and surmise by all ways and means whatsoever all and every person or persons which shall be found trafficking into any harbour or place within the limits of the said colony until they, being of any realms under our obedience shall pay two and a half upon every hundred of anything so by them trafficked; and being strangers, until they shall pay five upon every hundred of such wares and merchandises; which sums of money during the space of one and twenty years shall be wholly employed to the use, benefit and behoof of the several plantations; and after the said one and twenty years ended, the same shall be taken to the use of us, our heirs and successors."¹

The charter of 1609 continued this grant at the higher rate of five per cent. respectively for twenty-one years, but reserved the right to impose duties of five per cent. on all imports into Great Britain, which privilege was reënacted in the third charter of 1611. For many years after the abolition of the Company the possibility or expediency of imposing duties upon imports seems not to have been noticed.² It is doubtful indeed if any power was recognized by Great Britain. No mention of such a right is contained in the charter of 1676. It was only after the enormous extension of this method of raising a public revenue by the Long Parliament of Great Britain³ and its successors, that this scheme for lessening the poll levy was devised. In the meantime the new commercial policy of Great Britain was inaugurated, which imposed very considerable limitations upon the power of the Colonies to tax their imported commodities. A statute passed in 1663 continued the policy of Cromwell, pro-

¹ Alex. Brown, *Genesis of the United States*, p. 60.

² Hening ii, 531.

³ Hubert Hall, *Customs Revenue in England*, i, 180.

hibiting the colonies from receiving any goods except from English vessels;¹ and an act of 1672 effectually prevented all exchange of goods between the colonies themselves. A duty of 6d. a gallon for rum and 1d. a pound on sugar was imposed in 1661, though rather as a sumptuary act² than for purposes of revenue. But it proved difficult to administer and was repealed a year after going into effect, principally because of "the obstructions it may bring to the trade of the country."³

For twenty years there was no further mention of import duties of any kind, and Governor Berkeley reported in 1671 that "no goods either exported or imported pay any the least duties here, only two shillings the hogshead on tobacco exported."⁴ The next mention of any duties upon imports is contained in the instructions of Francis, Lord Howard of Effingham, who was sent over as Governor to succeed Lord Culpepper. He was therein advised to "recommend to the General Assembly the consideration and settling of such a way of raising money upon necessary occasions as shall be more equal and acceptable to our subjects than the present method of levying the same by Poll of Tytheable:"⁵ and the suggestion was made that an import duty on liquors be imposed. Beyond this there seems to have been no authority to lay such a duty, for no previous charter contained any provision for such an act. We may suppose that this recommendation was favorably received, for in the next year a duty of 3d. a gallon was levied on "wines of all sorts whatsoever, brandy, rum, or any other spirits, imported,"⁶ for the

¹ 15 Car. II, 17.

² The preamble of this act recites that "Whereas the excessive abuse of rum hath by experience been found to bring diseases and death to diverse people, and the purchasing thereof made by the exportation and unfurnishing the country of its owne supply and staple commodities; It is enacted," *etc.*—Hening, ii, 128.

³ Hening ii, 212.

⁴ *Ibid.*, 516.

⁵ *McDonald MSS*, October 24th, 1683.

⁶ Hening iii, 23.

special purpose of building a new Court House for the sitting of the General Assembly. This act was to continue in force for three years; collectors were appointed to be responsible to the Assembly, and the extreme penalty of forfeiture of the vessel and furniture was imposed for neglect to report to the collectors before breaking bulk. All vessels built in Virginia, however, were to have a free entry for their cargoes. This act was continued till 1691, and raised about £600 a year on the average.¹ At that time the rates were changed somewhat, 4d. a gallon being levied upon all liquors imported by foreigners in foreign-built ships, while but 2d. was charged for such ships as were owned in Virginia, in which the importer had an interest. Virginia-built ships were to be exempted from the operation of the law.² Four years later when the act was continued, the home government assented to it only on condition that all liquors coming directly from England, Wales, or the town of Berwick upon Tweed, should be exempted from the duty, the intention being to draw all the revenue from the trade with the Spanish West Indies. At the same time the rate was made uniform at four pence a gallon. In 1699, ale and beer were taxed for the first time at one penny a gallon.³

The revenue from this source was now quite an item in the budgets, since it produced £600 a year, nearly a quarter of the product of the duty upon tobacco exported.⁴ The Burgesses in 1705 declared its operation to have been "very usefull and advantageous, and that no better expedient can be found to defray the charge of any publick design than impositions of that nature." Rum, brandy, and spirits were rated at six pence the gallon, except from the West Indies, for which the rate was fixed at four pence; wines were taxed four pence a

¹ Burk ii, Appendix, xxi.

² Hening iii, 88.

³ *Ibid.*, 129-188.

⁴ Oldmixon, 298, and *Calendar Virginia State Papers*, i, 124.

gallon in all cases, and cider, beer, and ale paid one penny a gallon. All liquors from England were to come in free of duty. This act expired by limitation in 1707, and there is no further record of a reimposition of any duties upon liquors or slaves for nearly twenty years. Nevertheless we have proof that the acts continued in force, for Governor Spotswood reported in 1718 "the greatest Bank of money known,—arisen by duties laid by Foreign Importation."¹ He affirmed that the duty upon liquors and slaves together had, during eight years, built a house for the Governor, assisted North Carolina in an Indian war, fortified the frontier, built magazines, and helped to build a church, there being still £17872 left in the bank.² Much of this undoubtedly came from the duty upon slaves, but it is probable also that the imports of liquor were very considerable in amount.

The influence of the Royal African Company in 1705 caused a veto of the slave duty by the Crown, but Governor Drysdale informed the Assembly at that time that "a duty on liquors being expressly recommended in my instructions, if you think fit to enact it by itself I am persuaded it will meet with approbation at home."³ In pursuance of this recommendation the Burgesses imposed a duty of three pence a gallon upon rum, brandy, wine, and spirits; and one penny a gallon on ale and beer to constitute a general fund for appropriation by the assembly. At the same time an additional duty of one penny a gallon was levied for twenty-one years, from the proceeds of which £200 annually were appropriated to the use of the College of William and Mary, which had previously been supported by occasional grants of money from the quit-rent fund. These duties were continued from time to time⁴ at the rate of three pence a gallon, for twenty

¹ *Letters*, April 23d, 1718.

² *Spotswood Letters*, May 26th, 1719.

³ *Virginia Historical Register*, 1850, vol. iv.

⁴ *Hening* iv, 142, 276, 310, 394, 470; v, 26, 162, 236.

years without change, except that in 1736 it became necessary to extend the provisions of the act to cover imports by land, as a lucrative trade had sprung up by importing liquors from the colonies. The rates were reduced somewhat in 1745, being fixed at two pence a gallon for spirits, and one penny a gallon for ale and beer; but in the following year the old rate was restored,¹ in order to provide a fund for rebuilding the capitol, which had been destroyed by fire. This rate of three pence a gallon was continued down to the time of the Revolution, when it was doubled, and all distillers were made liable to the payment of it as well as those who imported the liquors. The duty of one penny a gallon on beer and ale however was abolished in 1768.² The only other duty on liquors which was at any time levied by the Assembly was a tax of four pence a gallon upon the product of the French colonies, which were carrying on a prosperous trade by exchanging rum for provisions;³ this was in force but eight years, and was imposed for political rather than fiscal reasons.

There are no direct statements of the productiveness of this duty; as we have seen, it yielded about £600 a year in the latter half of the seventeenth century; and it is improbable that it ever amounted to more than £1,000 a year previous to the Revolution.⁴ The principal reason for this was, that, although a great quantity of liquor was consumed in the colony, the facilities for smuggling were very great, owing to the great extent of the sea-coast, and the number of bays and inlets. The rate was fixed as high as it was deemed expedient to do so; but the administrative details of the statutes, and the severity of the penalties for evasion of the duty, show plainly that it was difficult to prevent fraud. The liquor duties were a source of revenue which were incapable

¹ Hening v, 311; vi, 194.

² *Ibid.*, ix, 350; viii, 335.

³ *Ibid.*, vi, 471; vii, 274.

⁴ *Journal*, May 24th, 1763.

of expansion above a certain maximum. Three pence a gallon was the highest rate which was practicable. And the further productiveness of the tax depended solely upon the amount of the domestic consumption.

The Duty upon Slaves Imported. The laborers upon the plantations in Virginia during the first half of the seventeenth century were almost exclusively indentured white servants. In 1649 there were but three hundred negroes in the colony.¹ As a consequence there could be little revenue obtained from a tax upon slaves, for the institution of negro slavery was not developed until a later time. The only duties that were imposed at all were nominal fees required from all immigrants. In 1633 a duty of 64 lbs. of tobacco was laid upon all new comers who planted tobacco within a year of their arrival.² But it was a part of the customary policy of restricting the amount of the tobacco crop rather than as a fiscal measure. Too great need was there for laborers and colonists to allow any extension of this restrictive system, and it lasted but a year. In fact there was virtually a bounty rather than a tax upon immigrants then in existence, by reason of a law which allowed a minimum rate of duty upon tobacco exported, which had been exchanged for slaves brought to the colony.³

Governor Berkeley affirmed that a certain duty upon slaves produced £600 a year in 1671, but there is no recorded statute of such a nature until 1699. At that time it became necessary to rebuild the Capitol, destroyed by fire, and the Assembly took occasion to levy a special tax upon all new comers. The old system of indentured white labor was being gradually superseded by negro slavery, owing to the fostering care of the Royal African Colony.⁴ That the

¹ *Supra*, page 37.

² Hening i, 222.

³ Chas. Campbell, *History of Virginia*; Hening i, 535.

⁴ Doyle, 385.

system then in vogue was a mixed one is manifested by the provisions of the act, which imposed a duty of fifteen shillings upon every white servant not coming out of England, while a tax of twenty shillings was levied upon every negro imported.¹ This proved to be highly successful, as slaves were being imported in great numbers, so that in 1705 the duty upon negro slaves was continued.² The tax upon indentured white servants apparently fell into disuse with the decay of the system. Yet in this same year a duty of six pence a poll was laid upon all passengers in merchant vessels. This remained in force until the Revolution, although it was not stringently enforced, and produced but little revenue.³

The slave trade began to assume alarming proportions at the beginning of the eighteenth century. The governors of all the American colonies were instructed to watch over the interests of the Royal African Company, and the British government entered into several treaties with foreign powers to insure its proper encouragement.⁴ But now the Burgesses

¹ Hening iii, 192.

² *Ibid.*, ii, 229.

³ *Ibid.*, iii, 346; *Dinwiddie Papers*.

⁴ In the last two decades of the 17th century there was a very great demand for negro slaves in the Spanish colonies of America, and contracts were made by Spain with the Guinea Company, as well as with many private individuals to supply the demand by imports, which were known as "el asiento de negres." The British Royal African Company being very desirous of participating in the benefits of this traffic, in 1688 addressed a memorial to the king on the subject, and negotiations to that end were instituted. Spain, however, demanded reciprocal rights, that is to say, permission to import negroes into the English colonies; but the Crown lawyers held that such an act would be a violation of the Navigation Acts, which prohibited all imports of "goods or commodities," except in British ships. The opinion was held that "negroes are merchandisc, and can no more be exported by the Act than any other goods" (Chalmers, *Opinions of Eminent Lawyers*, ii, 263). Consequently the proposition failed; but in the reign of Queen Anne a more determined attitude was taken toward Spain, and the Treaty of Utrecht authorized a joint contract for the importation of 144,000 negroes in 30 years into the Spanish colonies.—*Life of R. B. Taney*, by Samuel Tyler, LL. D., Appendix, p. 580, *et seq.*; *Sainsbury MSS.*, Doyle, 386.

suddenly awakened to a sense of the impending danger, as Massachusetts had done five years before.¹ They raised the duty upon all slaves imported by water from twenty shillings to £5, applying it to Indians as well as negroes, despite the Governor's protest. The Royal officials including the Council were desirous of continuing the traffic, as they derived a considerable profit from it. They urged the repeal of the duty, although they were obliged to confess "it is really true—that the country is already ruined by the great numbers of slaves imported of late years."²

The colonial policy of Great Britain during the next few decades became more and more unbearable. There is no blacker crime in the history of England than the persistency with which she forced the negro slave upon her American colonies. It was a deliberate prostitution of the national honor and the acknowledged interests of the colonies, for the sake of the immediate profit which accrued to the Crown. The colonial records are filled with instances of brutal attempts to override the remonstrances of the provincial legislatures against the extension of this trade. To be sure these protests were not based on moral grounds; but they represented nevertheless the real view of the colonists as to the effect of slavery upon the material welfare of their social body. And the earnestness of their opinions is evidenced by the fact that the Assemblies in urging the restriction of this traffic, did so at the risk of sacrificing a considerable revenue.

This prohibitive duty expired by limitation in 1718, but it was reimposed in 1724 at a slightly lower rate. By this time the British government decided to take a firm stand on the question, and the act was disallowed. Their veto was based upon a report of the Privy Council, which recited that this

¹ Douglas, 87.

² *Spotswood Letters*, October 24th, 1710.

"duty (£5) continued from 1710 to 1718, and tho' no Considerable objections were made at that time, yet it appears that by the price the negroes then bore, and by the smallness of the number that were imported in three years, in proportion to what have been imported since those acts expired, and the numbers that are necessarily wanted annually in ye Colony, This duty must have been a great hindrance to the Negroe Trade, as well as a Burthen upon the Poore Planters. And it further appears That this Act lays the Duty on the Importer, whereby the Trade of Great Britain will be affected."

The Burgesses renewed the attempt to reimpose the tax two years later, but with the same result.¹ The Governor reported on March 12th, 1626: "You laid a duty on liquors and slaves imported, as had been done by former Assemblies with very good effect; But the Interfering interest of the African Company has deprived us of that advantage, and has obtained a repeal of that law."² The other colonies seem to have offered so much opposition to the repeal of similar duties that the Crown was finally induced to consider their rights in the matter. A circular letter of October 14th, 1729, was addressed to the Governors of all the colonies in America, instructing them to use their influence, though not their authority, to procure substitute acts for those imposing import duties upon negroes. The reasons assigned were that such acts raise the price of labor and put England at a disadvantage in competition with her rivals in foreign trade.³ The Assembly of Virginia refused to yield to this "influence" completely, and in 1732 they imposed a new duty of five per cent., which was probably somewhat lower than the former rate of £5. Another concession was also made by requiring

¹ *Calendar of Virginia State Papers*, i, 206.

² *Virginia Historical Register*, 1850. ³ *Sainsbury MSS.*, Package ii, 117.

henceforth that the duty should be paid by the purchaser instead of the importer, as had been customary.¹ This effectually disposed of the primary objections of the African Company, and no further solicitude on behalf of the "Poore planter" was manifested by the Privy Council.

This rate of five per cent. remained in force until 1740, when it was doubled, to provide funds for aiding the Crown in the prosecution of the Spanish war. After four years it was reduced once more to the customary rate.² During the French and Indian war it was raised to twenty-five per cent., to be continued at that rate until 1765. But this proved to be too high, for two reasons.³ In the first place it did not produce the maximum revenue, and secondly its prohibitive effect was not adapted to the later developments of the colony's resources. There had come to be a large demand for slaves, and many Virginians had become interested in the traffic after it had been opened to all British subjects by a law of the 23rd George III. The act which removed the extra duty in 1760 recited that it "hath been found very burthensome to the fair purchaser, a great disadvantage to the settlement and improvement of the lands in this colony, introductive of many frauds, and not to answer the end thereby intended, inasmuch as the same prevents the importation of slaves, and thereby lessens the fund arising from the duties upon slaves." Henceforth the rate continued at five per cent. until 1766, when the revenue was found inadequate to balance the budget, and an additional ten per cent. was added for seven years. Three years later still, another rate of ten per cent. was added, making a total of twenty-five per cent.⁴ These various duties were in force until the Revolution, but we may believe that

¹ Hening iv, 318.

² Hening v, 92; vi, 218.

³ Hening vi, 419, 465; vii, 81, 281, 363, 386.

⁴ Hening viii, 190, 237, 337, 344.

after 1770, with the growth of the spirit of independence and the political theories which led to it, the institution of slavery became more and more unpopular.¹ If this view be accepted, the later impositions of the duty may be regarded as prohibitions or discouragements of the slave traffic. These culminated in 1778, in an act prohibiting all further imports under penalties of £100 for each offense.² Thus ended all direct participation of the Commonwealth in the profits of this nefarious traffic; for the Constitution of the United States soon effectually prevented its revival by forbidding all importation of slaves after 1809. That this prohibition was loyally enforced is shown by various acts which were passed from time to time to secure this result.³

The Export Tax upon Hides.—Besides the import duties upon slaves and liquors, the export tax upon tobacco, and the tonnage and port duties, which we have noticed, there were no regular indirect taxes levied in Virginia. There were a few other sporadic attempts to tax foreign trade; but they were either for prohibitive purposes, as in 1660, when five shillings a barrel was imposed upon all meats exported;⁴ or they were part of a protective policy for the encouragement of certain industries. The prohibition of all exports of hides was customary from the earliest days of the colony,⁵ in order that the country should be supplied with leather at reasonable prices. But in 1691, the college became the object of much solicitude, and various acts were passed to provide a revenue for it. It was conceived that these two objects might be combined, thereby encouraging learning, and at the same time restricting the export of hides and skins. An

¹ South Carolina forbade all further importations of slaves in 1760, as the number were becoming too great; but the Governor was reprimanded for assenting to it, and the act was disallowed.

² Hening ix, 471.

³ *Statutes*, 1809, 61, 6.

⁴ Hening ii, 21.

⁵ Hening i, 174, 488; ii, 179, 185, 216.

export duty was therefore laid at the rate of one shilling per raw hide, two shillings for each tanned hide, buckskins eight pence, doeskins five pence, each pound of wool six pence, and of iron one penny. The proceeds of these duties were then to be devoted to the uses of William and Mary College.¹

This duty was found to be too high, and was reduced to three pence per raw hide, and six pence per side of leather, while fox, mink, raccoon, and other skins were taxed from three farthings to a penny each.² These rates were continued from time to time; and they were often increased for special purposes, as in 1755 for rebuilding warehouses destroyed by fire;³ but were of little importance. In 1744 they were greatly increased, (to 2 sh. 6 d. and 5 sh. for raw and tanned hides respectively) being thought to be "disproportionate to the real value of hides. The Burgesses soon discovered, however, that this was a virtual prohibition; and the old rates were reinstated. It was found that "6 d. on a raw hide, increases the college revenue, (and) is easily born by the commodity." The principal export consisted of the raw hides, so that now the rates were made equal upon both raw and tanned hides, and shortly afterward all other skins were taxed at a uniform rate of two pence a dozen.⁴ It will be remembered that the Assembly had also imposed an extra duty of one penny a pound on tobacco exported during most of the eighteenth century. Yet the revenue from both these sources together was not very considerable; and was devoted exclusively to the support of the college. Its importance in this connection lies in the fact that these duties upon hides were the only customs duties which were imposed at any time, except those which we have mentioned previously. There

¹ Hening iii, 63.

² *Ibid.*, 123.

³ Hening vi, 487; v, 37.

⁴ Hening v, 437; vi, 91.

was no power to tax imports; it was contrary to the colonial policy of Great Britain; and we have seen that whenever the Assembly tried, as in 1711, to impose a general import duty, it was disallowed by the Governor. There was no resource for indirect taxes except the duties upon exports, and Virginia exported nothing but tobacco to any considerable amount.

Tonnage Duties. An act of 1631 ordered that "every vessel or shipp comminge out of the ocean (which) shall—until further order be taken in, shall pay after the rate—of gun powder and ten iron shott for every hundred tunns, and so to be accounted proportionably bigger or lesser."¹ This law was imposed in order to provide ammunition for the fort at Point Comfort. Soon after this, the rate of contribution was fixed at one hundred pounds of powder and ten shot for every hundred tons. Then it was changed again to a quarter pound of powder for each ton, as the vessels were all less than a hundred tons burden. In 1639, this fee was established at a proportionable amount of "match and paper Roial," but three years later the old proportion of powder and shot was enacted in addition. It was soon increased to a half pound of powder and three pounds of shot, or in money three pence a ton instead.²

This became the customary rate, and it was continued from time to time. Still it was merely incidental to the other customs regulations, and was rather an inspection and entry fee than a tax. Vessels were obliged to pay it at each voyage, whether they were laden or not. But as late as 1671, it is reported that only eighty ships a year traded with Virginia, so that the revenue could not have been of any value. It was generally included under the head of import duties.³ A slight addition was made to this fee during

¹ Hening i, 176.

² Hening i, 218, 247; ii, 446.

³ Blair and Chilton; *Spotswood Letters*, May 17th, 1717; *Dinwiddie Letters*, October 25th, 1754.

the administration of Governor Culpepper. He secured a grant from the Assembly of the right to demand a port duty from incoming vessels, in return for his indemnity to the participants in Bacon's Rebellion.¹ This was merely a continuation of an old custom in accordance with which masters of ships had made presents of wine, fruits and provisions to the chief executive. It soon died out, however, and although Sir William Keith declared that the port duty produced £500 in 1738,² no further mention of it occurs in the colonial records. It probably fell into disuse with the growing opposition to the exactions of the Royal officials. Not unlike the right of prisage in Great Britain it did not survive the semi-feudal relations which gave it birth.

¹ Burk ii, 225.

² Burk ii, Appendix, xxii.

CHAPTER IV.

LOCAL TAXES.

The Powers, Functions and Fiscal Importance of Local Bodies. New England is the classical home of local self-government in America, while in the southern colonies no towns existed at all until the close of the colonial period. The directions in which administrative power and control were exerted were diametrically opposite. In Massachusetts the colony was but an aggregation of largely independent local units; in the South the whole colony was the unit, of which the local bodies were subsidiary parts. Here there was no nucleus about which local governmental powers could be collected, and everything conspired to restrict the growth of any local autonomy. Each plantation, like the ancient household, was isolated, independent and completely self-sufficient. The General Assembly was the sole representative of sovereignty, and such local bodies as existed were mere agents to execute its will. The only local institutions were the county courts and the parish vestries, and they were but creatures of the central government. This body granted or removed powers with no limitation in theory or practice. It was an extreme example of the American system of specific delegation and limitation of the powers of local units, and was marked by constant interference of the central government in the affairs of local communities.

This relation existing between the general and the local governments is reflected in the fiscal history of the Commonwealth. The local units were almost as old as the

colony, but their functions were so limited that the local taxes, with the exception of the church tithes, were unimportant. As early as 1623 provision was made for a fund for local expenses, as we have seen, by requiring a yearly deposit of commodities in a parish granary, to be disposed of by the majority of the freemen.¹ It was a fair beginning but the development which ensued was very slow. The county courts entailed but little expense, since the justices were forbidden to levy taxes for their support during the sitting of that body,² and their service at other times was gratuitous. For many years there were no county buildings, the court sitting in the open air, beneath a spreading tree by the four corners, if perchance good fortune had bestowed any roads upon the neighborhood. As a rule few of these existed, the waterways being numerous and more convenient. A few bridges were needed, but ferries were generally preferred in the tide-water region. Even these were no charge upon the tax payers, for the privilege of carrying passengers for a fee fixed by the legislature was gladly assumed by private individuals. There was no public education, the only institution of learning, William and Mary college, being supported by indirect taxes laid by the Assembly. About the only expenses were those incurred for the erection of tobacco warehouses, the maintenance of a few bridges, and the care of the poor. And the Assembly often assumed the cost of the first of these,³ while the care of the poor was delegated to the parish vestry.

For many years however, there was a peculiar charge imposed upon the localities, for the payment of bounties authorized by the assembly for the "encouragement of manufactures." The inauguration of this policy occurred in 1661, with the vigorous administration succeeding the Restoration ;

¹ Hening i, 128.

² Hening ii, 315.

³ *Journal*, May 31st, 1740; Hening, iv, 208; vi, 477.

it provided for bounties on wool and flax, to be paid by the Assembly from the general levy.¹ Before long this charge was shifted upon the county courts entirely, each being liable for the bounties in its own district. The advent of Governor Nicholson brought a repeal of these provisions in 1684, on account of the "charge and inconvenience."² But they were revived seven years later, and remained in force for some time. They must have been considerable at times, for the bounties were as high as 800, 600, and 400 lbs. of flax respectively for the three grades of linen made; and some counties produced as much as 40,000 yards of cloth in a year.³ Moreover they were particularly onerous, as the people seldom turned to this industry, except when there was a depression in the tobacco trade. At such times the community was always distressed; but fortunately, tobacco was usually cheap and plentiful, when there was no foreign demand for it, so these levies were generally collectible. During the first half of the eighteenth century the colonial policy of Great Britain effectually prevented any extension of this system. It was revived in 1759,⁴ but the government had become so centralized that all of the expenses were borne by the Assembly. A similar charge upon the county courts was the payment of bounties for wolves, crows and the like, but they were so small as to be of no fiscal importance.⁵ The only local expenditure which was large enough to occasion complaint was that occasioned by the crection of county buildings. The notice of such an event usually caused so general an exodus of slaves and tithables into the adjoining counties that special legislation was required to prevent it.⁶

The local expenditures were invariably met by means of

¹ Hening i. 469.

² *Ibid.*, ii, 120, 236, 287, 493, 503; iii, 16.

³ *Spotswood Letters*, March 20th, 1710.

⁴ Hening vii, 288.

⁵ *Ibid.*, ii, 236; v, 80.

⁶ *Ibid.*, v, 35.

a poll tax levied upon the male inhabitants of the county. They were usually rated by the justices of the county courts, although this seems to have been productive of abuses, especially in the payment of bounties. In 1676, for instance, it is asserted that the local levy amounted to forty pounds of tobacco per poll,¹ while the average of the eighteenth century was only about four pounds.² The Reform Assembly which met in June of that year dealt with this matter by ordering that henceforth a number of the "discreetest and ablest" freeholders of the county equal to the number of justices, should join with them in assessing the levy, since "it hath been suspected that sums have been raised in divers counties for the interest of particular persons, to the prejudice of the said counties."³ This was too cumbersome, and the power to levy taxes was conferred once more upon the justices alone, or upon the court-martial if the district were unorganized.⁴ As these bodies had been previously prohibited from levying any taxes for their own "accommodation," and as the bounty system was abolished after a time, the old abuses did not recur.

The assessment of these taxes was made upon the basis of the lists of tithables made out by the Assembly. In the collection of the general levy, any surplus above the allotted quota went to the county, while the local taxes were held by the sheriff for the use of the Assembly if there had been an over-estimate in the allotment of that county. Thus it appears that while the sheriff was held liable for the amount of the general and local levies in his district, so also the county, as a fiscal entity, was responsible for the payment of its apportioned quota of the general levy, even at the expense of its local taxes.⁵ In all respects this general levy

¹ "*Virginia's Deflowered Condition*" reprinted in the Massachusetts Historical Society Collections.

² Henning iv, 370.

³ *Ibid.*, ii, 357.

⁴ *Ibid.*, v, 175, 188.

⁵ *Ibid.*, iv, 370.

assessed by the Assembly, took precedence over the revenues needed for local expenses. In 1742, the county courts, were empowered to contract debts for permanent improvements but they were held to a strict accountability.¹ A constant tendency was manifested by the legislature to encroach upon the sphere of local self-government. Many functions, at first purely local, were absorbed by it, and with this tendency the fiscal powers of localities were curtailed. The control of the inspection of tobacco, the cost of erecting warehouses, the regulation of the rents and salaries which should be paid, as well as all damages incurred by flood or fire, were assumed by the legislature. The wages of the Burgesses, at first paid by the county courts, were transferred to the Assembly. And this movement went on until by the close of the eighteenth century the rural communities were stripped of most of their functions, except the building of bridges.²

The rise of towns and municipalities did not occur until after 1750, and the legislature at once manifested a jealous disposition to limit their activities. Such few powers as were granted were for specific purposes and a limited time. The city of Williamsburg, in 1744, needing a prison, was permitted to impose a poll tax "for the time being;" but not till 1762 did it receive authority to levy taxes to keep its streets in repair.³ Two years later this plenitude of powers was deemed liable to "prove of dangerous consequence to the liberties and properties of the said citizens."⁴ Consequently, all of its fiscal powers were reënumarated and specifically limited. Even the power to contract loans, which the counties enjoyed, was expressly withheld. The result was that as late as 1799 the town taxes were only

¹ Hening v, 175.

² La Rochefoucauld's *Travels*.

³ Hening v, 263.

⁴ *Ibid.*, vii, 469.

about fifty cents per poll, and the only expenditures were for the care of the poor.¹ Until 1763 Norfolk Borough was not empowered to assess taxes for a night watch, a ferry, or street lamps; and in 1772 it was obliged to petition for authority to raise money for building a powder magazine.²

The first instance of a grant of any considerable power of taxation occurs in 1782, when the city of Richmond was incorporated;³ and yet, nearly twenty years later, the municipal charges and the revenue were very small. The poor rate was the main tax, being levied upon carriages, the renting of houses and free negroes.⁴ But this belongs to the history of a later time. We may conclude that during the colonial period the fiscal importance of local bodies was very slight. The few powers exercised by the early towns in the days of the Virginia Company were dissipated with the development of the counties which supplanted them as local units. And these rural communities were too scattered and indefinite to exercise any considerable functions of government. Towns were growing, to be sure, but their activities were not developed until a later date.

The Church Tithes. A local tax of a peculiar character was found in Virginia in addition to the county levy. This was known as the minister's tithe, and was imposed to provide for the support of the established church. At first there had been no distinction between the parish and the county;⁵ but by degrees the parish became differentiated from the larger body, and the tithes developed into a special and peculiar charge upon all who lived within its limits. It was a local tax from which there were no exemptions; and was so universal in its application that it was regulated by the

¹ La Rochefoucauld's *Travels*. ² Hening vii, 152, 611, 652. ³ *Ibid.*, xi, 47.

⁴ La Rochefoucauld's *Travels*.

⁵ *Virginia Local Institutions*, Johns Hopkins University Series, ii.

assembly, and not by the parish vestry.¹ All other local rates were fixed by the county courts, but in this case the vestries merely collected the tithe assessed by the assembly for the minister. They were, however, permitted to levy an additional amount for the other parish expenses. Thus the tithe was essentially a local tax, since the proceeds of it were always expended in the particular district in which they were collected.

The earliest expedient for providing for the support of the clergy was similar to that adopted by the Virginia Company for the compensation of its regular officials. One hundred acres were set apart in each parish as a glebe, and six tenants were settled upon it who should provide for its proper cultivation. On the downfall of the Company the tithe was substituted for the tenants, although the glebe lands were still set apart as a private domain.² No planter was permitted to sell his tobacco until his tithes had been paid, for the collection of which one man was chosen in each hundred. In 1629 a curious act was passed to continue this tax, enacting "that all those that worke in the ground of what qualitie or condition soever shall pay tithes to the minister"³ And these contributions were to be taken from the "first and best" tobacco and corn in every case. Being intended to quicken the moral sense of the community, they were often combined so as to act as sumptuary laws. One of the first of these enacted "against excesse in apparell, that every man be cessed in the church for all publike contributions; if be he unmarried, according to his owne apparell; if he be married according to his owne and his wives or either of their apparell."⁴

¹ Neill, *Virginia Carolorum*, 168.

² *Virginia Historical Collections*, i, 11, 45; Stith, 319.

³ Hening i, 124, 144, 242.

⁴ *Journal*, August 2nd, 1619.

At first the yearly allowance for each minister was regulated according to the price of tobacco for each particular year, so that its real value might be kept as nearly constant as possible. In 1631 the tithe, therefore, was equal to the average value of a bushel of corn and ten pounds of tobacco, together with the twentieth calf, kid or pig. Fifty years later this was commuted into sixteen pounds of tobacco in lieu of other provisions. The average allowance for each minister was supposed to be equal to £80 a year, although in good times it was sometimes as much as £100.¹ The fluctuations in the price of tobacco could never be predicted, and a movement was set on foot toward the close of the 17th century to define these salaries more exactly. In 1696, they were fixed at 16,000 pounds of tobacco (net), beside the use of a glebe of 200 acres and a "mansion house." Five per cent. was allowed for collection, but this proved to be so inadequate that it was increased to ten per cent. in 1727. Moreover, the tobacco was to be delivered at a convenient landing on some navigable stream.²

The ancient custom of varying the amount of the tobacco according to its price was thus abolished. By the new system the minister was supposed to be compensated for his losses in bad years by the surplus which accrued to him in prosperous seasons. This was oftentimes no small hardship to the clergy, and their salaries are said to have been reduced during peculiarly hard years as low as £25 in money. Governor Spotswood tried to reform the system by levying forty pounds of tobacco on each tithable, and converting the proceeds into cash, from which £80 in money should be paid to each minister, but the project was condemned by the Burgesses.³ And this allowance of 16,000 lbs. of tobacco re-

¹ Hening i, 159, 220, 226; Foote's *Sketches*; Perry's *Historical Collections*; Force's *Tracts*, ii.

² *Ibid.*; Hening iv, 205.

³ *Spotswood Letters*, November 11th, 1711.

mained constant during the colonial period, until a change in public sentiment toward the English Church led to its disestablishment during the Revolutionary period.

The first manifestation of this opposition, which was due to the character of the population which settled the Western District, and later to the strained relations with the mother country, occurred in 1755. The crop of tobacco for that year was especially poor, and the price was proportionally enhanced. This made the tithes especially obnoxious, and the Burgesses bethought themselves of easing the burden a bit by permitting a payment of it in money at two pence a pound. Since the price of tobacco was considerably above this figure, the result of this act was to curtail the salaries of all the clergy. It was, however, wisely limited to ten months, a period too short to enable the Crown to disallow it, and yet long enough to bridge over the season of scarcity. So far as the clergy were concerned, this law was undoubtedly unjust and dishonest, and as such has been severely condemned by all historians. And yet in all other respects it was a salutary provision against the extortions which were often practised by avaricious sheriffs upon those who for any reason could not obtain tobacco with which to pay their debts, and who were obliged to commute them into money.

The clergy submitted to this obvious injustice; but when the Burgesses tried to reenact it three years later, they proceeded to contest it in the courts.¹ The regular allowance for the year would have been £400, which was reduced to £133 by the operation of this second law. The case has been immortalized as the "Parson's Cause" in the history of the struggle for American Independence. But we shall in this place merely refer to it, leaving its dramatic features to the writers on political history. Suffice it to say that the

¹*Life of Patrick Henry*, by W. W. Henry, as well as M. C. Tyler.

act was disallowed by the Crown, although the courts all refused to award any damages, probably because of the growing antagonism toward Great Britain. The tithes were temporarily suspended from year to year after 1776, although the vestries were all permitted to levy a poor rate.¹ In 1779 the whole system was abolished. With the formal disestablishment of the church, the glebe lands were confiscated, and the complete separation of church and state was accomplished. Henceforth the local taxes were purely political or administrative in character, and the ecclesiastical parish disappeared as a governmental agent.

¹ Hening ix, 312, 579; x, 197.

CHAPTER V.

THE BUDGET.

The budget is an institution which is peculiar to a developed state where definite governmental policies are devised, maintained or modified to suit the ends for which the state exists. It implies the establishment of a stable government, with an organic administrative machinery, a certain regularity in public expenditures, and the authority to enforce contributions to meet such demands. In the days of martial law, or of purely speculative venture, which prevailed for some time in Virginia, there was no such regularity in either revenues or expenditure. And even when the public body began to take form, it is impossible to distinguish the private from the public functions of the nascent state. No budget existed, therefore, for many years. When it finally developed it was formed through a combination of the various parts, each of which we have already studied in detail. We have seen what was the nature of the revenue, and the expenses of the government; what external factors determined or limited their practical application; and in how far the popular representatives utilized the possibilities of them. The next step is to gather these various parts together, and to discover what influence they exerted upon each other. First, however, it will be necessary to consider the political or constitutional questions which arose in regard to the relations of the Crown to the Colony in fiscal affairs; and then the results of the preceding studies will be grouped under a single head, that we may see what finally determined the fiscal policy of the Commonwealth.

The Constitutional Separation of Powers. Various provisions in the early charter of the Virginia Company granted to the colonists exemption from all taxation, with the exception of certain duties upon imports; but these were all abrogated with the withdrawal of its charter in 1625. At this time all of the powers granted to this corporation reverted to the Crown, and of course this immunity from taxation was removed at the same time. Had James the First lived until Virginia became more than a mere speck upon the map of America, it is impossible to say what might have been the result. It chanced, however, that other affairs occupied the minds of Englishmen, until the colony had quietly grown to such a size that it was able to assert its rights. Charles I was a broader-minded sovereign in many respects than his father, and he seems to have recognized the position which the Assembly assumed as the basis for its future constitution.

The Assembly met regularly with the sanction of the King, during the period from 1625 to 1639, at which latter date its legal powers were defined for the first time. Then it was that the Burgesses asserted the exclusive right of legislation in all matters of taxation.¹ Governor Harvey had arbitrarily increased his perquisites of office by the imposition of heavy fines and amercements, and had claimed absolute supremacy in all legislative affairs. It became highly important, therefore, for the Assembly to curb the executive authority by a distinct assertion of rights. To be sure much of this tyranny on the Governor's part was probably due to the failure to make due provision for his support after the dissolution of the Company. But in 1639 the Burgesses remedied this evil, receiving the assent of the executive to their novel assumption of power in return for this grant of revenue. The King was too deeply involved in his own affairs to take note of this, even if he had deemed it of suffi-

¹ Hening i, 171.

cient importance to do so. In this manner the Burgesses established a precedent, which served as a basis for their claims, until Governor Berkeley's charter granted them the right of government "according to the laws of England." Thus the right of absolute control in all matters of taxation was firmly fixed in the colonial legislature. The future disputes and struggles with the executive were mainly attempts to re-assert powers which had inadvertently fallen into disuse through careless or indefinite legislation.

For many years all public contributions were made in kind; they were paid directly to the person for whose use they were intended and each want was satisfied as it arose. Generally there was no treasury balance of any kind; in fact there was no place in which it could have been deposited—no officer who was empowered to care for it. In a few instances, when disbursements were delayed unexpectedly, the collected tobacco was left in the care of the Commissioners of the County Courts;¹ but usually no provision for the future was made. This was in part a result of the simple system of the time. It was also due to another principle firmly fixed in the policy of the Assembly, which was that no independent or permanent source of supplies should ever be allowed to the executive. The Burgesses had gained control of the purse; but the power of appointment was still vested in the Crown. And their precious privilege was of no avail unless with it was coupled a certain coercive power over the representative of the King.

When Governor Berkeley first came to the colony, bringing the welcome charter of 1639, the burgesses, as a mark of gratitude, granted him a yearly poll tax of four pounds of tobacco² during his term of office. This was a dangerous precedent, as they soon realized, and when the overthrow of the Stuarts ended the Governor's authority, they hastened to

¹ Hening i, 286.

² Burk ii, 65.

make a new contract with him. The supplies which were granted therefore in 1642 were distinctly stated to be merely temporary in their character—not to be repeated, except in case of necessity.¹ Of course the Governor had nothing else to do but accept these terms; and the assembly once more made good its claim to supremacy in fiscal affairs. An apparent exception to this established policy was a grant of power to the Governor and Council, in 1661, to raise a levy for county expenses for three years, not to exceed twenty pounds of tobacco. This liberality was tempered, however, by a saving clause which reserved power to change it if an Assembly should be convened before the expiration of that time.

The general reaction in favor of the royal prerogative after the Restoration did not affect the supremacy of the Assembly in matters of finance. The Governor now attempted to strengthen his power by means of an alliance with the Council, which in 1631 had been active in its resistance to his authority.² Since that time this advisory body had become closely allied with him in material as well as political interests. The Councillors for instance were first exempted from taxation by the charter of 1639, which Governor Berkeley had brought with him; the patronage of the colony had become very extensive, being largely at the disposition of the Gov-

¹ "This Grand Assembly, having alsoe entered into a deep sense and consideration of the duty and trust which the publique votes and suffrages have cast upon them, under which is comprehended as the most speciall and binding obligation, the preservation of the rights and properties of the people, to which this course may seem to threaten violence; yet as well for the silencing of pretences as for answering of arguments of weight, it is thought fit hereby to declare that as from the infancy of the collony, there was never the like concurrence and pressure of affairs, so they have recorded to their posteritie with this ensuing president of accommodation for the Governor, that the aforesaid instance and motives removed, they will never yield or consent to receive (renew) the same.—*Hening* i, 280.

² Burk ii, 28; Blair and Chilton.

error; and this power was used to create a compact body of devoted adherents who upheld the executive against the legislature. The council was not affected by tax laws, and had no motive for opposing any schemes for increasing the Governor's prerogative. Yet too much importance must not be ascribed to the influence of this body; nor to the mere fact that its members were not liable to taxation.¹ For the financial system then in vogue made a mere personal exemption from levies of little value so long as the poll tax was still imposed upon the slaves and family servants. Nevertheless the position of these officials was a highly favored one in many ways, since they held nearly all of the offices of honor or profit in the colony. They were of no slight importance therefore as allies of the Governor in settling the final balance of power.

After his reappointment in 1661, Governor Berkeley be-thought himself of making use of this body, which had now become fully dependent upon his favor. The Assembly had allowed the Council to hold an advisory power in the consideration in committee of matters of fiscal importance. And the Governor preferred the modest yet insidious request in 1667, that the Burgesses should allow two of these Councilors to join with them in granting or confirming the public levies,²—which was indeed to induce a crafty confusion of the customary functions of the legislature and the executive. This was instantly perceived by the Assembly, which humbly answered, "That they conceive it their privilege to lay the levy in the house; and they will admit nothing in reference from the honorable governor and council, unless it be before adjudged and confirmed by act or order, and after

¹ This immunity from taxation was regarded even by the Reform Assembly of 1676, as a compensation for their services. It does not seem to have been strenuously opposed by the Burgesses.—*Hening* ii, 359.

² Burk ii, 145.

passing in the house, shall be presented to their honors for their approbation or consent." But one course was open to the Governor, so he returned answer that "This is willingly assented to and desired to remain on record for a rule to walk by for the future which will be satisfactory to all." Thus did Governor Berkeley learn his lesson in the science of finance.

The next incident in the history of the balance of power, occurred when Governor Culpepper returned to Virginia in 1679, bringing complete indemnity for all the offences committed during the late rebellion. The Burgesses were so overcome by this generosity that when they granted the usual duties for the Governor's support, they made them perpetual, and subject to none save His Majesty's sole direction and control.¹ They moreover changed the customary presents of wine and dainties made by the masters of incoming ships to the Governor into a regular due, which was rigorously exacted for some time. This seemed so auspicious that Lord Culpepper's successor tried to force matters a little further. He was instructed by the Board of Trade and Plantations, in 1680,² to obtain a revival of that former grant of power to levy a small tax independently of the Assembly, which Governor Berkeley had previously enjoyed. This the Governor attempted to do in 1683, in vain; for the Assembly proved to be "peevishly refractory to the least proposition,"³ answering that they could "in no waies concede to it." Disappointed in this direction, he endeavored to increase the perquisites of his office by imposing a tax of twenty shillings a year upon schoolmasters, £5 upon lawyers in the general court, and fifty shillings on those practising in the county court, together with a tax of two hundred pounds of tobacco upon the probate of wills.⁴ These last were, however,

¹ Burk ii, 22.

² *McDonald MSS.*, December 3d, 1680.

³ *Ibid.*, vii, 223.

⁴ Beverley; and Burk ii, 301, 308.

promptly removed during the next year through the earnest representations of Col. Thomas Ludwell, the agent of the Assembly in England.

The Revolution of 1688 exerted little influence upon the relations of the various parties in Virginia. The policy of the Governors seems to have been to prevent agitation by promptly proroguing the Assemblies whenever they showed a disposition to be refractory. As for their own personal support, we may believe that the unlucky step of granting them a regular duty upon tobacco exported removed the partial dependence which had formerly existed. The exclusive right of the Assembly to lay taxes was not contested, but so long as no extraordinary supplies were needed the Governors could afford to wait.¹ The effect of this policy was that no supplies were granted, and a gradual accumulation of indebtedness ensued. In 1712 Governor Spotswood reported that the revenue had been defective for twenty-two years, and that £7000 had been taken from the king's private estate.² All this naturally favored the popular party, which held the grip upon the purse-strings. At last the Governor was obliged to abandon the customary policy of coercion, and conciliation was adopted instead. The Assembly was "such a Whimsical Multitude, that it requires a great deal of Management to gain their consent to anything that's new, especially where money is required."³

This attitude was a sore trial to Governor Spotswood, for he was a progressive man. He wanted to reform the system of tithes, to reorganize the quit-rents, and to increase the revenue from the export duties. But the Burgesses not only asserted their authority; they became aggressive at last, and demanded that these quit-rents should no longer be drawn

¹ In 1695 Governor Andros tried to obtain a grant of £500 to aid New York but was refused.—*Sainsbury MSS.*, iv, 231.

² *Letters, Introduction.*

³ *Ibid.*, November 11th, 1711.

away to England but should be devoted to reducing the burden of taxation. As we have seen, this right was denied by the Crown, but the matter was compromised by donations from time to time at the request of the Assembly. Years of plenty and prosperity succeeded and the treasury was abundantly supplied by the customary methods, so that all discussions upon the subject of authority were silenced for a time. Yet prosperity did not tempt the Assembly into a repetition of its former indiscretions in dealing with the executive. Sir William Keith truly described their policy a half century later when he affirmed that "the public there is generally in debt, because they are extremely jealous of attempts upon their liberties, and apprehensive that if at any time the public treasury was rich, it might prove too great a temptation for an artful governor."¹

The Burgesses by carefully adhering to this policy apparently regained all of their rights which had been curtailed during the closing decades of the seventeenth century. The Governors tried to cajole, to higggle or to threaten whenever extra supplies were needed, but the legislatures could not be moved. At last they became so exceedingly independent that they compelled a strong executive like Governor Dinwiddie to assent to an act "clogg'd with unreasonable regulat's and Encroachm'ts on the Prerogative."² The necessity of extraordinary taxes for the prosecution of the war with the French still further emboldened the popular representatives, until the Governor in despair wrote to the Council in England that "there appears to me an Infatuation in all the Assemblies in this part of the world."

One final struggle was made by Governor Dinwiddie to secure an independent revenue of his own. He attempted

¹*A short discourse on the present state of the colonies in America with respect to Great Britain.*

²*Letters*, November 12th, 1754.

to revive the fee of a pistole for the use of the Royal seal which was necessary to the validity of every land patent. A similar exaction had been made by Lord Howard in 1685; but it was declared "uneasy and burdensome" to the people, and was finally discontinued by the King's orders.¹ At this attempt of the Governor's, the Assembly at once became "so violently warm thereon" that he was obliged to prorogue them. The Burgesses petitioned the King, and the matter was discussed for over a year. Finally the Council decided to reject their address; even Horace Walpole seems to have upheld the Governor's conduct in the matter. It was deemed best, however, not to be too exacting, and the fee was discontinued, although the right to impose it was still claimed.²

From this time the active opposition to the representatives of the Crown became more and more pronounced. And the Governor dared not be too aggressive, apparently having a premonition of the result. The people opposing the embargo in 1757, Governor Dinwiddie wrote to the Lords of Trade that he "thought it more eligible to take [it] off than to admit of any Dispute of Y'r Power in ordering it." Despite this warning, the fatal policy of adopting more stringent measures was pursued. Lord Dunmore was even forbidden to assent to any revenue bills which were not permanent, unless they were intended to defray temporary expenses.³ This arbitrary conduct was met by an equal determination on the part of the people not to yield. The crisis was thus hastened by the conduct of both parties, until the final separation ensued in 1776 when the Burgesses became the sole representatives of sovereignty in the colony.

Development and Analysis of the Budget. It has appeared

¹ *Letters of Governor Dinwiddie*, November 28th, 1753; March 24th, April 26th, May 10th, July 24th, and October 25th, 1754; *Journal*, November 28th, 1753.

² *Winnowings in American History, Virginia Tracts*, § 1, by W. C. Ford.

³ *Massachusetts Historical Society Collections*, 2, 635.

from the previous study of Virginian institutions that the earliest expenses of the incipient state were those required for the support of the various officials who were appointed by the Company or the King. Yet after the reversion of the domains which had at first been set apart for this purpose, no particular provision was made for these salaries, which were apparently paid from the Royal Exchequer. For many years therefore the principal expenditures which were demanded directly of the Assembly were for the defence of the colony from the Indians. In 1629, nearly the whole appropriation of 8,000 lbs. of tobacco was made for the purchase of ordnance, powder, shot and military supplies. Three years later, 20,000 pounds was expended for the same purpose; while the supplementary charges of pensions and damages were very considerable. Forts had to be constructed and a militia maintained at the public expense.¹

With the growing extent of the colony these items naturally became secondary in the regular peace budget, and the salaries' account once more became prominent. Whereas the sole charge in 1639 had been £1,000 for the Governor's support, with the expansion of the sphere of government this increased until the fixed salaries alone absorbed £3,000 in 1700. By the middle of the next century it became necessary to raise over £4,000 yearly for these items alone. The salary of the chief executive had been doubled during Governor Culpepper's term; and the Council which at first had served without compensation was allowed £350, together with a salary of £500 for the Lord President. The perquisites of this body moreover amounted to upwards of £400.² As for the expenses of administering justice, those services

¹ Hening i, 128, 143, 196.

² *Ibid.*, i, 423; Burk ii, Appendix, iv; Oldmixon; *Dinwiddie Letters*, October 25th, 1754.

which were not gratuitous were performed by the regular officials for the payment of a certain fee in tobacco.¹

In order to meet all of these increased expenses, the revenues of the colony had to be constantly augmented. At first a simple levy by the poll had sufficed. Then it became necessary to provide for a permanent revenue to meet the fixed charges, for which purpose the export tax upon tobacco was instituted. This, however, was not available for the other general expenses of government. The assembly had no control over it, since all accounts were made to the King's agent alone. At one time the proceeds of it were not even deposited in Virginia, but were transported to England, the payment of the salaries being strictly limited to the Crown officials.² The fund was therefore as completely removed from the control of the Assembly as if it had never existed, and the poll tax was still their sole support. And this was not a permanent source of income; it was generally appropriated by the same act which authorized its levy; and no surplus remained for contingent expenses. To meet this need of a definite permanent income, the liquor duties were imposed in 1682 and the tax upon imported slaves was soon added. These taxes were to constitute a fund which should be exclusively subject to the control of the Assembly. Unfortunately, however, they proved to be exceedingly inelastic, and too dependent upon the general social and political conditions of the colony. Yet in ordinary times they served well enough, and once or twice even yielded a surplus. With their establishment it became necessary to have an officer to care for the moneys which they produced, so that in 1695 a Treasurer was appointed who was made accountable to the Burgesses alone. He was independent of the

¹ Hening i, 176, 201, 266, 463; ii, 244.

² *McDonald MSS.*, October 10th, 1676; viii, 238; *Sainsbury MSS.*, viii, 22.

Auditor and the Receiver General, who were mere agents of the Crown in the colony.

Being possessed of a financial and administrative system of their own, the burgesses were in a condition to develop further their system of indirect taxes. The customary direct tax came to be regarded as more and more oppressive, and every effort was made to supersede it by increasing the customs duties. This proved to be only partially feasible, however. There was a limit to the revenues which could be derived from the liquor duties; the Royal African Company would not hear of any increase of the slave duty; and the British government would not allow duties upon the import of any manufactured goods. Yet the governmental expenses kept on increasing during the eighteenth century, and the assembly was forced to revert to its customary direct taxes. It was at this juncture that the struggle to obtain possession of the quit-rents occurred, with the result which we have seen. Being denied the proceeds of this land tax, there was nothing to do but to tax the polls whenever any emergency arose.

In 1661 the regular revenues were £4,200, exclusive of the quit-rents and the general levy; by 1700 they stood at £4,500.¹ For some years they did not increase, and at times were even less, being but £4,000 in 1715. Then followed the great increase in the importation of slaves, which paid off all debts and even yielded a surplus. But this was soon cut short by the Royal African Company. After this time the regular revenues developed but slowly with the natural increase of population, until in 1754 they are said to have been £6,500.² This paid the salaries and fixed charges, which were £4,345, the surplus being devoted to the con-

¹ Burk ii, Appendix, iv; Oldmixon, 298; Charles Campbell's *History of Virginia*.

² *Dinwiddie Letters*, 1755.

tingent expenses, along with the poll tax. This last tax produced about £3,000 at this time.

The revenues of the colony, therefore, were derived mainly from two sources, the poll-tax and the export duty upon tobacco. The first of these was the simplest and most natural. The second was not introduced until the latter part of the seventeenth century. It yielded a constantly increasing income, but was subject to many limitations. The direct tax on the other hand was exceedingly elastic. The subjoined table¹ shows that it produced about one-half the

¹ ESTIMATED REVENUE FROM THE POLL TAX.

Date.	No. Tithes.	Av. Levy in lbs. of Tobacco.	Value per lb. Fixed for Quit Rents.	Total in Pounds Currency.
1632	2000	64	1640 (12d.)	.....
1644	5000	.....	.....	.....
1652	7000	.....	1645 (3d.)	.....
1654	7209	30	1661 (2d.)	1802
1671	13000	12	1676 (1.5.)	3250
		40 ± (extra)	1682 (1.2.)	.....
1697	20000	16	1d.	1333
1711	30000	5 ±	"	625
1722	38000	4	"	633
1742	63000	3	"	790
1748	82000	3	"	1025
1759	105000	1 sh. (war.)	"	5250
1772	153000	3	"	1275

ESTIMATED REVENUE FROM THE EXPORT TAX UPON TOBACCO.

Date.	Hogsheads Exported.	Rate.	Revenue in Pounds Currency.
1671	15000	@ 2 sh.	1500
1700	30000	"	3000
1740	30000	"	3000
1750-60	50-60000	"	5-6000
1770	70000	"	7000

revenue during the second half of the seventeenth century; that it declined till 1750; and then was reapplied with more vigor during the troublous times which followed. Thus the common opinion that the revenues of Virginia were mainly derived from indirect taxes is but partially true. Such taxes would have been exclusively adopted without doubt had not various external considerations prevented it in practice.

It appears that the form of the budget was in great part determined by outward circumstances and environment. This is indeed natural, for it appears to be the rule in the early history of all human institutions. Only when such bodies become fully matured, do they begin to react upon their surroundings; and then it is that definite policies begin to be outlined, conditions moulded to suit the popular will, and a complete theory of the proper end, duty and authority of the state developed, in accordance with which the details of administration are regulated. After the establishment of the political independence of the colony, when it became a complete governmental entity, the system became more complex. And then the modern budget appeared, with a treasury balance of considerable amount, with public debts and the development of public credit, with sinking funds and like devices for meeting future obligations, and with a definite policy of internal improvements. Some of these features appeared in a rudimentary form during the war of 1755. But the colony was then fresh and strong, and the Parliament of Great Britain stood at its back, lending political and pecuniary support.¹ Its real strength was not tested until the Revolution, when all of these expedients had to be employed. Necessity gave them birth, and being once used they proved so efficient that they remained hence-

¹ Hening viii, 334, 372.

forth as permanent features of the fiscal organization of the State.

Public Domain and Lotteries. During the later colonial period there seems to have been no revenue derived from the public domains. Fees were often demanded for land patents, but they were generally illegal and extortionate in amount, and were soon removed by the Assembly. And while they subsisted they constituted no part of the public income, but were absorbed by the Secretary or the Governor as perquisites of office. The only project for a public domain as a source of profit, was due to Governor Spotswood, who proposed in 1710 that the Assembly assume control of certain iron mines. This was "laid aside by the Assembly," and was never revived. During the Revolution, and for some years thereafter, the state owned a manufactory of arms. As it was largely a war-measure, it was of no profit to the state financially and has no fiscal importance. Thus it appears that the policy inaugurated by the Virginia Company of founding a definite and permanent domain for the support of its officers was never successful. It did not accord with the principles of popular government, which demand that the executive shall always be in a measure financially dependent upon the favor of the representative legislature.

One of the most striking features of the colonial finance of Virginia is the absence of lotteries as a means of raising revenue. It is strange that this should be so, for the reckless propensity for gambling among the planters during the colonial period has been noted by all writers on the history of that time. In Massachusetts, on the other hand, despite the rigidity of the moral ideas of Puritanism, the lottery was a fiscal engine regularly employed by the General Court.

The early Virginia Company was supported almost entirely at first by means of the "great standing lotteries,"

which were drawn from time to time in the West End of St. Paul's Churchyard.¹ Until 1621 these lotteries were the "real and substantial food" by which the colony was nourished.² Yet after the time when a real government was established, there is no mention of them until 1755. A lottery of £6000 was authorized at that time to help defray the expenses of the war with the French; but it was so unsuccessful that the time for drawing it had to be extended by the Assembly.³ It is improbable that any considerable revenue was obtained from this, and no others were authorized until after the Revolution, when they were employed extensively for many purposes.

One reason for the absence of this fiscal expedient may have been that there was so great a disposition among the people at large to gamble, that the Burgesses felt it to be their duty to discourage all such habits. In 1739 the Assembly prohibited all private lotteries as "productive of all manner of vice, idleness and immorality" in the community.⁴ Yet the use of them during the Revolutionary period seems to have become general. They were soon employed for the benefit of schools, hospitals and charities. After this time for over a hundred years the policy of the Burgesses in regard to them was very uncertain. Every few years they condemned them as pernicious, and then proceeded to grant one to some individual for a benevolent purpose. The history of the lottery, therefore, during the present century, gives a very interesting picture of the public morals of the people; but it belongs to an epoch entirely different from the colonial one. Previous to 1776 the history of this commonwealth is in marked contrast to that of some of the Northern colonies.

¹ Purchas's *Pilgrims* iv, 1773; Henning i, 108.

² *Extracts from the Transactions of the Virginia Company*, by Rev. E. D. Neill, 14; Washington, 1868.

³ Henning vi, 453.

⁴ *Ibid.*, viii, 358.

CHAPTER V.

HARD MONEY.

Early Systems. The current impression, even among historians, is that hard money and specie played a very subordinate role in the American colonies. A vast amount of loose writing has been bestowed on the peculiar systems of exchange which prevailed in different places. And much labor has been expended in compiling histories of paper currencies. The subject of hard money, however, is generally dismissed with the remark that it was very scarce, and that all trade was carried on by means of wampum or barter.

It is undoubtedly true that there was a great scarcity of any circulating medium in nearly all of these colonies. The records are filled with complaints of the inconveniences and abuses which followed as a consequence; and this is doubtless the main reason for the general impression which prevails. But instead of warranting a total neglect of the subject, it is rather a very urgent reason for seeking to know the few details which are attainable. In fact it is a trite saying, that "it is not the excellence, but the very defects of any system which lead men to write of it." Because hard money was so difficult to obtain and to keep in circulation, the utmost ingenuity was exercised as a matter of necessity in the attempt to solve the problem. There is, therefore, we submit, every reason to expect that the history of the struggles of legislators to grapple with the inexorable forces of specie gravitation may prove of considerable scientific interest. The very scarcity of coin and bullion served to render it all the more susceptible to the influence of hidden forces; the

effects were exaggerated by this means; and the intimate relations between money and trade were made more evident.

In Virginia there is an excellent opportunity to study the question, since the customary paper money cure-all was not applied until a late day, and then only as a matter of necessity. The wisdom and moderation of her legislators led them to adopt other expedients to cope with this universal difficulty. And the adequacy of their simple remedies to settle the question is evidenced by the immunity from paper money and depreciation which Virginia enjoyed for so many years. It will be the purpose of this sketch to gather together the few facts which are accessible; to search for the real cause of this dearth of money; to see what remedies were applied by the Assembly; and finally, to discover how far and in what way they were successful.

It is probable that many of the early immigrants, especially the indentured servants and children, who were sent out at the Company's expense, brought no money with them at all. Even those who were well provided in this respect, speedily exchanged their money for the necessary supplies which were sent over to them from England. Yet this did not occasion any inconvenience at first. The communistic system which prevailed for several years rendered the use of any currency unnecessary, so far as the colonists themselves were concerned. A circulating medium was needed, therefore, only in dealing with the British merchants, and with the Indians. With the latter class a species of wampum called "peak or Roenoke," was used for many years.¹ Moreover, the founders of the colony sent over several glass workers, and a factory for the making of glass beads was established, which lasted until the time of the Indian massacre. The evils of a depreciated currency were apparent even at that

¹ Beverley, *History of Virginia*, iii, chap. 12.

early day, for the Company's orders were that "beads being the money you trade with the natives, we would by no meanes have through to much vilified, or the Virginians at all permitted to see or understand the manufacture of them."¹ As to the foreign commerce, all trade was carried on through the Cape merchants, the theory being that "by this the same goinge for England with one hande, the price thereof may be upheld the better." All accounts with this common agent were kept in tobacco at fixed rates, "three shillings the beste, and the seconde sorte at 18d. the pound."² Thus there was little demand for coin in this direction.

It was the original intention of the founders of the colony to have a special currency of their own. The charter of 1606 gave full power to establish and issue coins of any denomination or weight that the Council might choose to adopt. This provision was, however, removed from the subsequent charters, and no further mention of it occurs; so that it is not likely the right was ever acquired, unless temporarily, during the Commonwealth. In fact, there is positive evidence to the contrary, since the Burgesses petitioned the Privy Council in 1631 to issue a special coin for them. They asked, moreover, that it be debased twenty-five per cent., in order that it might more readily be retained in the colony.³ We know that the right of mintage was strenuously denied in Massachusetts a few years later, and the same view of the powers of the colony in Virginia was probably held.

There was a general reaction after 1630 from the system of using tobacco as the universal medium of exchange and account, which had been so eagerly accepted at first. It had been based upon the presumption that the price of tobacco was a constant quantity. A few years' experience

¹ For a full history of this matter see Purchas's *Pilgrims* iv, 1783; *Virginia Historical Collections* i, 95, 137, 151, 158; Neill, *Virginia Company*, 236.]

² *Journal*, 1619.

³ Jefferson's *Notes*, ed. 1787, pg. 283.

proved the fallacy of this idea; the custom "bread many inconveniencies and occasioned many troubles;" and the Assembly tried to remedy the evil. In the absence of any new coin from Great Britain they could not abolish the old tobacco barter; but they could return to the English standard for their money of account. Tobacco, as we have seen, had fallen in value, and was in no wise suitable for this purpose. The Assembly, therefore, enacted that the estates of all decedents should henceforth be reckoned in English money and not in tobacco.¹ In 1633 this provision was likewise extended to all contracts, bargains, pleas and judgments.

The Mint Project. During the succeeding decade all of the various inconveniences incident upon an excessive production of tobacco made themselves keenly felt. Numberless regulations were imposed upon the culture of this staple in a vain attempt to uphold its price. Money was exceedingly scarce, and creditors often demanded extortionate rates for commuting money debts into tobacco. This became so common that an act of 1642 declared all money debts contracted in future to be non-recoverable at law. This, however, proved to be too drastic a measure, so that it was soon repealed.² But in the next few years tobacco fluctuated so enormously in price that once more the Burgesses were compelled to recognize that it was not a proper standard for accounts. It happened that at just this time the political connections with Great Britain were somewhat relaxed; in fact the colony was virtually independent during the Commonwealth period. There was no longer any question of authority; and the Assembly resolved to establish a metallic currency of its own.

The motive for the enactment of this law was the consid-

¹ Hening i, 170.

² *Ibid.*, i, 262; *ibid.*, 47.

eration, "How advantageous a quoine current would be to this colony, and the great wants and miseries which do daily happen unto us by the sole dependency upon tob'o."¹ "The only way to procure the said quoine, and prevent the further "miseries" was to raise the value of the Spanish pieces of eight to six shillings, with the smaller coin proportionably thereto. Thus the bullion which would be needed for the supply of the mint was to be attracted to the colony.

There was not much commerce between Virginia and the Spanish West Indies. The two were competitors so far as tobacco was concerned. Their productions were much the same, with the sole exception of sugar and molasses. It is probable, therefore, that this measure was directed toward the New England colonies, rather than toward the Spanish main. These Yankees had carried on an extensive trade with the colonies of Spain, despite all the regulations of Great Britain's colonial policy.² They carried fish and lumber to the South, and received sugar, molasses and rum in return. At this time they held almost a monopoly of the traffic, although New York and Pennsylvania soon became serious competitors.³ There was, however, comparatively little demand for Virginia's products in the South; and a far better market was to be found in New England. For twenty years there had been a very considerable coasting trade between the two sections.⁴ Provisions as a rule commanded a higher price in Massachusetts than in Virginia. Wheat had ranged from five to six shillings a bushel there previous to this time, whereas it could be procured in Virginia for about four shillings of the same money.⁵ Beef was also somewhat cheaper in the Southern colony, being two

¹ Hening i, 308.

² *Ibid.*, ii, 516.

³ *New York Colonial Documents*, v, pg. 686.

⁴ Weedon i, 207, and Doyle, 205.

⁵ Weedon: *A Perfect Description of Virginia*, 1648, reprinted in Force.

and one-half pence a pound, as against three pence in Massachusetts. Consequently the Yankee coasters exchanged salt-fish and the sugar and rum of the West Indies for these products of Virginia.

There had long been a considerable amount of silver coin in circulation in Massachusetts. Not only was it the result of their legitimate trading, but a good deal of bullion was also brought in by freebooters from the Spanish main.¹ And it is probable that this legislation in Virginia was an attempt to attain the same result which Massachusetts herself accomplished by the establishment of a mint in 1656. The customary rate at which the piece of eight had passed there was five shillings; and the rest of New England followed this example.² And it appears that this bid of six shillings the piece for it in Virginia was a direct premium of a shilling put upon the import of each coin. New York was of little importance as yet,³ and there was therefore no other place, except New England, where money could be procured. Virginia wanted the silver and was willing to pay an extra price to procure it.

The Assembly then resolved that "the said quoine will not continue with us unless we have a leger quoine." They therefore forbade all exchanges for tobacco in order to create a demand for small change, and made absolute forfeiture of all the goods so bought or sold the penalty for such trading. To take the place of this customary medium of exchange they resolved to import 10,000 pounds of copper at a cost of £750 sterling, to be paid for in tobacco at one and one-half pence a pound. Every pound of copper was to be coined into twenty shillings in currency, with an al-

¹ Brodhead's *History of New York*, i, 335; ii, 525.

² Weeden, 142; *The Republic of New Haven*, by C. H. Levermore.

³ *New York Historical Collections*, Second Series, ii, 333.

lowance of twelve pence per pound to cover the cost of coinage. These coins were to be of the denominations of two, three, six, and nine pence, respectively; and the whole issue was to be redeemed annually in new coin of a different design, so as to prevent all counterfeiting. This elaborate plan apparently came to naught.¹ It is interesting, however, as being the first complete project for a mint in America; it may be that it served as a model for Massachusetts in 1656, and for Maryland in 1662.

Not only was the mint project a failure; it was also found that six shillings was too high a price to offer for the Spanish piece of eight. Consequently its value was reduced once more to five shillings. Nevertheless, this lower price was extended to cover all money of whatever metal, that is to say, however debased, in the hope that some coin at least would be attracted.² This naturally put a premium on the importation of light and counterfeit pieces, so that the circulating of all false coins was finally prohibited in 1657. This expedient having failed, a new method of preventing the scarcity of money was next adopted: to wit, the prohibition of the export of all coin above the sum of forty shillings.³ And this prohibition was continued from time to time during the colonial period. Doubtless it was completely inoperative, but it came to be enacted as a matter of course, so long as the scarcity of coin existed. It is curious, however, that the colony should have first prohibited the export of money at just about the same time that the mother country removed her prohibition of the export of bullion.

Regulation of the Value of Money by Law. The coin of most general occurrence in all the colonies was the Spanish piece of eight. For this reason it may best serve as a stand-

¹ Chalmers, *History of the American Colonies*, i, 248.

² Hening i, 410.

³ *Ibid.*, 493; and ii, 125.

ard of comparison in a study of the legislation by the different colonies on the subject of silver. The rate or value fixed upon this serves as a rough indication of the relative values at which all the foreign silver coins circulated in the colonies. It may be used also as showing in some measure the relative scarcity of coin in different localities, since a high valuation presupposes a considerable demand, other things being equal.

For some reason there was an unusual scramble among the colonies for coin in the period after 1670. In 1671, Maryland attempted to raise the value of the piece of eight to six shillings, by setting an artificial premium upon it.¹ New York received it at six shillings in 1672, although this was increased to six shillings nine pence in 1676, at which it remained till the emission of paper money.² Massachusetts raised its value from five to six shillings in 1672,³ or to six shillings eight pence if it weighed an ounce.⁴ It passed in New Jersey four years later at seven shillings eight pence. And yet the customary valuation of it in Virginia was but five shillings.⁵ We shall see that attempts were made to increase its value; but these all proved fruitless. The only other colony which had so low a standard was Carolina, where it passed for five shillings until 1683, when its value was raised for the first time.⁶ Virginia, however, did not

¹ A law of 1686, and another of 1708, fixing the value of the piece of eight at 6 shillings, is mentioned by Scharf, *History of Maryland*, ii, 35. Yet Blair and Chilton declare it to have been 4 sh. 6 d. in 1697, as also Hickcox, *A History of the Bills of Credit or Paper Money issued by New York*, 10. Probably the one was currency, the other sterling, the difference being fixed at 33½ per cent. *Archives*, 1671.

² Historical Society, First Series, i, 424.

³ Felt, *An Historical Account of Massachusetts Currency*, 41-3.

⁴ Hickcox, *An Historical Account of American Coinage*, 9.

⁵ Hickcox, *A History of the Bills of Credit or Paper Money issued by New York*, 10; Oldmixon; and Blair and Chilton.

⁶ Hickcox, *op. cit.* 10; Carroll's *Historical Collections of South Carolina*, ii, 317.

vary the standard price of this coin until the next century, when a law of the sixth Anne declared that it should pass for six shillings in the colonies.¹ The New England currency passed at its nominal value, as was customary in all the colonies.² Maryland so ordered it in 1671; New York a year later; and the smaller colonies followed suit. Yet this was debased two pence in the shilling below the English coin. Thus while on a par with the other provinces so far as this native coin was concerned, Virginia was at a decided disadvantage in respect to all the Spanish money.

The inauguration of this policy of regulating the value of money by statutory enactment raised anew the question of the constitutional separation of powers among the branches of the government. The drain of coin was so serious, by reason of the premium offered by other colonies, that the Assembly in 1681 petitioned the king to enhance the value of this silver money by twenty-five per cent. Moreover, they agreed to pay the export duty upon tobacco in money if this were done.³ The Governor held obstinately to the opinion that this was an exclusive prerogative of the Crown, despite all protests raised by the Assembly; and he certainly had the authority of his official instructions.⁴ He, therefore, in 1683, proclaimed that the value of the crown, rix dollar, and the piece of eight, should be raised from five to six shillings. Yet the quit-rents, which were the Royal revenues, and the export tax upon tobacco, from which the Governor's salary was paid, were to be exempted from the provisions of the proclamation. Naturally, the people refused to obey this arbitrary measure; and this so strenuously that the proclamation was withdrawn. It is said that the government was

¹ Phillips, *Historical Sketches of American Paper Currency*, i, 31.

² Oldmixon; Blair and Chilton.

³ Sainsbury MSS., ix, 106.

⁴ Burk ii, 237; McDonald MSS., vi.

considerably in arrears for the payment of the soldiers;¹ and that the Governor took advantage of this little ruse to procure a quantity of light pieces of eight. These, it is averred, were bought during the period of enhanced value of the full weight coin, and were used to discharge these standing obligations. Whether this be true or not, it is impossible to ascertain. It must be confessed, however, that there was apparent justification in the existing low valuation of this silver for enhancing its price. The early revocation of this measure, due to the opposition of the people, may indeed have offered a chance for a little speculation to designing debtors. But it is our opinion that the version of the affair given by Beverley may be somewhat unjust.² It is certain that this act so harshly condemned was actually carried out some years later, to the manifest benefit of the colony. But for this time the question of authority proved of more importance, and the matter was left unsettled.

The same dispute occurred under Lord Howard, who succeeded Governor Culpepper. His instructions contained the following clause: "You shall not upon any pretence soever permit alteration in the value of coin without our approbation."³ There was much fraud at this time in the payment of the Royal revenues, and it may be that the Governor merely desired to secure a plenty of specie in circulation, so that he might enforce the payment of these in money. At all events he petitioned the Council in England in 1686 that power be conferred upon him to alter the rates

¹ Beverley, *History of Virginia*.

² Culpepper's report to the Board of Trade, September 20th, 1683, puts a different light on the matter. He writes: "I referre my selfe to the proclamation wth I issued forth at the Earnest Instance of the Councell, and to the Generall satisfaction of the country, though not to my owne; For I neither beleeeve it will produce the advantage as Expected," etc. *McDonald MSS.*, vol. vi.

³ *McDonald MSS.*, October 24th, 1683, § 75.

of exchange for the various coins.¹ The matter was referred to the Royal Commissioners of Customs, who reported adversely upon it.² They declared it the wisest policy to allow money "to rise and fall according to the scarcity and plenty;"³ and they refused to agree to the proposition, even though the rates were changed in due proportion, fearing it might prove too great a temptation to fraud. As a consequence no further attempts of this nature were made, and henceforth in theory the rates at which coins should pass were fixed by the Council in England.

The only other legislation in regard to money in Virginia for thirty years consisted of acts necessary to secure payment of the quit-rents and export duties in specie.⁴ The rates at which commodities should be received in barter, where specie or tobacco could not be obtained, were fixed from time to time.⁵ This precaution was particularly necessary whenever the tobacco crop was artificially curtailed, to prevent the extortion of creditors in demanding tobacco at the lower rates of exchange, which ruled before the restrictive acts. The assembly always had a care for this; and the debtor's interests were generally well represented in the legislation of this period.

Thus far it appears that the subject of money really absorbed a considerable share of legislative attention during the seventeenth century. In fact there is reason to believe that in the tide-water region at all events, there was a considerable proportion of specie current. In the interior there was probably little. Various commodities were used instead of money, as for instance "best winter beaver, killed

¹ *McDonald MSS.*, vol. vii, August 22nd, 1686.

² *Sainsbury MSS.*, xi, 39.

³ *McDonald MSS.*, *ibid.*

⁴ Hening ii, 186, 283, 427.

⁵ In 1682 the prices of twenty-three commodities were fixed by law. These being rated in money as well as in tobacco, the inference would be that some fair amount of money was current. Hening ii, 507.

in season," which was received for quit-rents at a certain rate per pound.¹ Yet despite such substitutes for money, the need for some portable and stable medium of exchange was doubtless very great. There are always numberless transactions which can be conveniently effected in no other way. This scarcity of coin occurred in a time of peace, and when public credit was not in any way disturbed. Neither had there been any issues of paper money at this time. Of course either of these influences may contribute to produce a scarcity of money; but in the seventeenth century this dearth of coin was due to other causes, which operated constantly to limit the monetary circulation of the colony.

Causes of the Dearth of Hard Money. The first of these influences, which was peculiar to the seventeenth century, is rather personal and political, than economic in its nature. This is the fact that it was the interest of the Governors of the colony to encourage tobacco, instead of money, as a medium of exchange.² And we shall see that the introduction of the system of tobacco notes was due to the enterprise of the chief executive. This was opposed by the planters at first, as they were disposed to regard abundance of money as an evidence of prosperity. But the salaries of the Royal officials, as well as the Crown revenues, were customarily paid in bills of exchange on London. And it became in this way an object of interest to these officials, who desired to save any portion of their income through balances on their London accounts, that this rate of exchange should rule as low as possible. This result was attained most effectively by keeping up the price, as well as the amount, of the tobacco exports. Moreover, the system of tobacco payments offered a favorable chance for a little private speculation. The situation was analogous to that of

¹ *Calendar Virginia State Papers*, i, 18.

² Blair and Chilton.

the silver producers in the United States to-day, who are seeking to raise the price of a certain commodity by enlarging the demand for it, through its use as money.

This official influence we believe to have been by no means insignificant, while the Governor's prerogative was at its height. There are instances of laws passed to regulate the value of coin, and facilitate its use as money, which were vetoed apparently for no other reason.¹ The succeeding century, however, was affected to a less degree, for two reasons. The introduction of the tobacco notes in large part superseded the necessity for a metallic currency. And, secondly, the Governors were gradually relegated to a subordinate position, so far as initiation in legislation was concerned, so that their personal interests became of less importance.

The other causes of this lack of money are economic in their nature. And of these the so-called unfavorable balance of trade with England was the most influential of all. It operated upon all the colonies of America, and was due to the peculiar colonial policy of Great Britain. In this undeveloped state of international intercourse, there was no exchange of credit between the colonies and the mother country, analogous to the modern foreign investments of capital which to-day affect the rate of exchange so profoundly. The main factor in the situation was the relative value of the imports and exports, and these in the main could only be regulated through Great Britain.

It is difficult indeed to realize the complete dependence of the American colonies upon the markets of the mother country for nearly every article of domestic consumption. Attempts were made by Governor Berkeley to remedy this state of affairs in Virginia by encouraging the growth of

¹ Blair and Chilton.

certain industries after the Restoration. But the policy of the eighteenth century, begun by his successors, was to stifle every infant industry at birth.¹ The colonists were even denied the privilege of making their own clothing, when the low price of tobacco would not enable them to purchase British goods. And every effort was made to prevent the least independence of action,² so that by complete economic subjection, the political supremacy of Great Britain might stand secure.

In Virginia, of all the American colonies, the conditions were favorable to the utmost development of this policy. There were no towns, despite the vigorous attempts to encourage "cohabitation," so that the advantage of concerted action was largely denied, in extorting favorable terms from the English merchants. Each planter was obliged to deal separately with some chosen agent in London, who shipped goods to him in return for his consignments of tobacco. For the whole colony was virtually dependent upon this one staple, their early trade in lumber, hoops and staves having been ruined by the Northern colonies.³ We have already seen how onerous were the customs duties in England; and these burdens were greatly increased by the commissions demanded by these factors. Petty charges for "Tret," "Clough," "Draught" and "Sample" were imposed, oftentimes to the extent of fifteen or twenty shillings a hogshead.⁴ They even went so far as to charge three pence a hogshead for many years, without the consent of the planters themselves, "to defray the expenses in applying to Parliament upon any occasion to relieve us (Virginia) from the hardships we groan under."

¹ Beverley.

² *Calendar Virginia State Papers*, i, 124.

³ Oldmixon.

⁴ A clear statement of these abuses is given in a rare pamphlet entitled: *The Case of the Virginia Planters of Tobacco, and A Vindication of the Said Representation*, published at London in 1733.

From these exactions it was impossible to escape in many cases, because the planters were so heavily indebted to the English merchants. The system of keeping open accounts in London was calculated to encourage extravagance; and these accounts were habitually overdrawn. Many of the merchants even made it a rule to encourage this indebtedness, so as to assure the continuance of their customers. It gave them a certain advantage in all their dealings with the planters. The luxury and extravagance of these men as a class was undoubtedly fostered, if not caused, by this continued influence. Once firmly in the grasp of the merchants, extortionate prices were charged for everything, which were often double the quotations at New York or Philadelphia.¹ Thus when it is considered that everything except food was purchased in this way,² it is plain that it was a considerable factor in producing an unfavorable balance of trade with England.

Being, therefore, obliged to exchange their tobacco at a low figure for goods which were charged at an exorbitant rate, there was a steady excess in the value of the imports. And the only way in which this liability could be discharged was by remittances of specie, or by bills of exchange, which amounted to the same thing. As fast as any coin came in from New England in exchange for wheat, or from the Spanish colonies, it was bought up and shipped to England.

During the latter part of the century, moreover, a drain upon the Virginian stock of coin commenced in another quarter. The new commercial colonies of New York and Pennsylvania began to attract a large foreign trade. And

¹ McMaster, *History of the People of the United States*, i, 273.

² A letter of George Washington enumerating the supplies which he needs is a good example of this. The list includes every article of luxury or necessity, from a bust of Alexander the Great to a half dozen halters.—*Writings*, edited by W. C. Ford, vol. ii, 127, 134, *et seq.*

the demand for specie there was greater than in Virginia; for not only did they need it to ship to England, but they also required a large supply in order to carry on their domestic exchanges. Philadelphia was bountifully supplied with money, even more so than England, it was said,¹ in 1696. And this supply was largely obtained at the expense of Maryland and Virginia, and even of Massachusetts.² Maryland, for many years a rural community like Virginia, although setting a higher price upon silver, was well supplied with money. She was even more fortunate in this respect than her neighbor, and interposed to protect Virginia from an excessive drain of specie. Yet even here there was a gradual tendency to attract coin on account of the higher price, which continually lessened the Virginia stock. Their relative condition is expressed by a contemporary as follows: In Maryland "they have Spanish and English money pretty plenty, which serves only for Pocket money, and not for Trade"; but in Virginia "gentlemen can hardly get enough for travelling expenses, or to pay tailor's and tradesmen's wages."³ As for Delaware, there was a goodly income of specie from the proceeds of her fishing trade, which was considerable.⁴

On the whole, therefore, we find that although the Governor's influence in restricting the supply and circulation of money declined during the 17th century, other conditions of trade and commerce were developing to produce the same result. The sphere of action of economic forces was broadening; and it was becoming too powerful to be affected by the interests of any single individual. And, moreover, the causes producing the scarcity of specie were becoming more

¹ Walton's *Annals of Philadelphia*, 88.

² Blair and Chilton; and Alsop's *Maryland*.

³ Oldmixon, 315; and Bozman's *History of Maryland*, I, 275.

⁴ *Description of New Albion*, Force's *Tracts*, ii.

apparent. The Council in England finally took up the matter, and endeavored to settle the difficulties. And Virginia was at last forced to fall into line with the other colonies, and join in the scramble for hard money. For a half century she had held back, and been stripped of money for the benefit of her neighbors. The move of the home government was the signal for action, and henceforth Virginia became a factor in the situation.

The Monetary Policy of the Eighteenth Century. During the seventeenth century it had been sufficient for all ordinary purposes to regulate the value of money by the piece. This, however, was not adapted to the more complex conditions of trade which were fast developing, and many abuses had been produced. Many of the coin in circulation had been so clipped and mutilated as to have lost most of their original value. The different varieties and alloys had also become greatly confused. For instance, the new Seville piece of eight, containing but 308.7 grains of pure silver, had been issued, which circulated side by side with the old Seville piece of 387 grains fine. As early as 1676, Governor Culpepper preferred to have "the price sett on the ounce, that is certain, and not the piece. For none but extreme light pieces will be brought in, and that (when brought in) with some gain to the importer but losse to the country."¹ Twenty years later the same defect in the law is mentioned, it being the practice of many, especially the tax collectors, who preferred to take tobacco at a valuation below the market price, "to scruple a light piece of eight, affirming it is clipped, or a Peru piece and not good silver, and no other coin is ascertained except English, of which there is very little."² Petitions were also presented praying for a law to "ascertaine at what vallue the said (Dog) Dollers may pass

¹ *McDonald MSS.*, vi.

² Blair and Chilton.

currently from man to man, for ye better advancement of Trade and Commerce."¹

Still another difficulty in the way of regulating the value of current coins by the piece lay in the Act of the 6th Anne (1708), which had already strictly defined the value of the Spanish money. This law, to be sure, was of no effect; but it acted as a check upon legislation. A bill of the Assembly of New York was vetoed for this reason mainly, in 1768,² and there is reason to believe that the other colonies were restrained in like manner.

All of these difficulties were avoided by changing the laws and setting the price of money by the ounce or pennyweight without reference to its denomination. This practice was followed by nearly every one of the American colonies during the eighteenth century. For a time these values conformed to the ones assumed by the 6th Anne, namely six shillings ten pence per ounce; but gradually the peculiar conditions of each separate colony led to a departure from this figure. And the governors seem to have acquiesced in it, as there is no record of a veto on account of conflict with any law of Parliament. Yet although the method of regulating the value of money was changed, there was no abatement in the active competition between the colonies for the current coin. The same bidding was carried on in this new

¹ A petition presented in 1697 runs as follows: "That whereas, muneys, being made of Currant Vallew, it is the only and most Convenient Ballance for carrying on all Trade and Commerce, and forasmuch as Experience Informeth us that our neighboring provinces by enhancing The Vallew of all foran Quoine, Do Draine from this Government such muneys as by severall opportunity Doth Happen to be brought among us; We Tharfore propose That a Certaine Vallew & Advance may be sett, not only upon Dollars, but upon all sorts of foran quoine which may Excede the Vallew of gt. Sterling, Which would tend much to the Incouragement of Tradesmen who are at p'sent discouraged by Reson, are forced (If Deale at all) to Do it mostly upon trust."—*Calendar Virginia State Papers*, i, 53.

² Hickcox, *A History of the Bills of Credit or Paper Money issued by New York*, 44.

form, that is to say, by fixing the price by weight and not by the piece. It is, however, extremely difficult to compare these prices, owing to the fluctuations of the paper currencies and the different values of the shilling in the various colonies.

The price per ounce for silver-plate in Massachusetts in 1672 was six shillings eight pence;¹ in 1702 before the depreciation of its paper currency it was six shillings ten and a half pence; the act of the sixth Anne established it at six shillings ten pence.² Pennsylvania previous to this time had bid as high as eight shillings two pence per ounce for it,³ although in 1709 it had temporarily conformed to the British valuation, by rating it at six shillings ten and a half pence. As no paper was issued here until 1723, it is probable that depreciation may be disregarded; and the piece of eight was still reckoned at five shillings, or even less,⁴ so that the unit was the same as in Virginia.⁵ The valuation in New York was often as high as seven shillings six pence per ounce, computing the piece of eight at nine-tenths of an ounce.⁶ In South Carolina the price had been six shillings three pence per ounce previous to 1710, with the shilling equal to the Virginia rate of five to the dollar.⁷ The price in Maryland, assuming the piece of eight at nine-tenths of an ounce, and reducing it to the Virginia shilling, must have been below six shillings.⁸

This was the condition of affairs when the Virginia Assem-

¹ Hickcox, *An Historical Account of American Coinage*, 9.

² Phillips, *Historical Sketches of American Paper Currency*, i, 153. ³ *Ibid.*, i, 19.

⁴ *Ibid.*, i, 12-13.

⁵ Oldmixon, 315; Hickcox, *A History of the Bills of Credit or Paper Money issued by New York*, 10.

⁶ This computation is based on data in Phillips, i, 27 and 109; Felt, 59; and *American State Papers, Finance*, i, pg. 104, *et seq.*

⁷ Carroll, *Historical Collections of South Carolina*, ii, 258. ⁸ *Ivide* note, p. 115.

bly met in 1710. We have seen that the price set upon the piece of eight had been much lower than in the other colonies, with the inevitable result that coin was more scarce in Virginia than elsewhere. At just this time, there was considerable depression in the tobacco trade, and this scarcity of money was increased by the necessity of large exports of silver. Petitions were presented for commutation of money debts to tobacco, so great was the scarcity of specie.¹ These were refused, but it was seen that something must be done. The matter was not simple, however, "the great Difficulty being to settle a Currency without prejudicing her Maj'tie's Revenues."²

To remedy these evils the Burgesses, ostensibly in pursuance of a proclamation issued by Queen Anne in 1704, ordered that all pieces of eight, Pillar Ducatoons, "Eccus of France or Silver Lewis and all halves, quarters and lesser pieces of the same," shall pass at the rate of six shillings three pence the ounce. Peru pieces and the like were rated somewhat lower.³ This was virtually raising the value of the full-weight Spanish dollar from its customary rate of five shillings, to about five shillings eight pence. In fact, it is but a repetition of the attempt made by Governor Culpepper in 1683. It was likewise provided that this new regulation should not affect the rate of settlement for all foreign debts, or for the Royal revenues. A special clause was inserted, which exempted all such payments. It is probable that the consent of the Governor was obtained only upon this condition; and thus alone was "the great difficulty" avoided. This was certainly the case in other proprietary colonies, and the same interests had to be conciliated in Virginia. Therefore, we see the people and the Assembly

¹ *Calendar Virginia State Papers*, i, 145.

² *Spotswood Letters*.

³ Henning iii, 502.

agreeing to precisely the same act, which was so stoutly resisted a quarter of a century earlier.

This law placed Virginia in a more favorable situation to compete with the other colonies. She was on terms of equality with her southern neighbors, as we have seen. The price offered for silver was not much, if any, less than that which prevailed in Maryland. And both of these colonies could afford to rate silver lower than the Philadelphia figure, for the foreign demand for it was much less. Here in Virginia the rate of exchange varied from twenty-five to thirty per cent. premium, while in the great seaports it ruled from sixty to ninety per cent above par. Moreover, there was less demand for money in domestic trade. Thus Virginia could afford to stand somewhat aloof from the scramble for specie, as in fact she had done previous to this time.

The depression of the tobacco trade continued until 1714, and coin was still much needed. It was the demand for currency at this time in fact which indirectly led Governor Spotswood to introduce the tobacco notes. The silver question had been settled for a time, but now it was discovered that the values of the gold coin in circulation were "unsettled, disproportionate to others of the same intrinsic value, and all unequal to the coined gold of Great Britain."¹ Of course, we know that it was the currency standard and not the gold which varied, but this was not appreciated at this time. Gold was, however, to be accepted in exchanges by the provisions of this act at five shillings the pennyweight.

Most of the colonies had overvalued gold previous to the law of Parliament of 1708. South Carolina rated it at six shillings three pence per pennyweight in 1700.² In Pennsylvania, the price was seven shillings per pennyweight from

¹ Henning iv, 51.

² Carroll, *Historical Collections*, ii, 258.

1700-9, and the ratio to silver was fifteen and two-tenths to one. In 1709, however, this was reduced to five shillings six pence per pennyweight, and the ratio to silver became sixteen to one.¹ These values were reckoned in shillings at five to the dollar then, and since no paper had yet been issued, there was little correction for depreciation. This ratio, sixteen to one, was adopted by Virginia in 1714, but the values of both gold and silver were lower than those prevailing in Philadelphia at that time. Thus there was still a premium upon the export of coin to this commercial centre. Yet this action was necessarily slow where coin was so scattered as it must have been in Virginia. After 1714, there was also a return of prosperity to the colony; tobacco rose in price, and every one was content. Moreover, for a time, the tobacco notes were utilized; and although unpopular, they served as a substitute for money.

After 1720, the demand for specie in the northern colonies became more urgent. Commerce was rapidly developing, and more money was needed. As a consequence, the price offered for specie rose rapidly. It was aided also by another consideration—namely, that the rate of sixteen to one had undervalued silver in proportion to gold; and this was corrected by raising the price of silver. In 1730, silver was rated at seven shillings five pence per ounce in Philadelphia,² at which rate it remained until the emission of the first paper money three years later. And then it rose to eight shillings three pence the ounce, the ratio to gold ranging from fourteen and eight-tenths to fifteen and three-tenths to one. In 1716, in New Jersey, silver was at eight shillings per ounce.³ New York rated it at this same figure in 1712, although it apparently commanded eight shillings

¹ Phillips, *Historical Sketches of American Paper Currency*, i, 19.

² Phillips, *op. cit.* i, 19.

³ *Ibid.*, i, 61.

six pence in 1723.¹ Thus it appears that in Virginia not only was gold rated at a lower figure than in the other colonies, but also, since the ratio to silver was abnormally high, that this latter metal was doubly depressed in value.

In February, 1727, an act was passed to remedy this matter and to bring "silver coin to a nearer proportion to that of the gold currency." It was stated that the value of this silver coin was greatly disproportioned to the value at which the coin passed in the neighboring plantations.² The ounce of silver was raised in value from six shillings three pence, fixed by the law of 1710, to six shillings eight pence, thus making the rates to gold nearer the customary figure of fifteen to one.³ The English crown was likewise raised in value from five shillings ten pence to six shillings three pence. The only provision in regard to gold was to prohibit the circulation of all clipped coin as money. This was intended to check the currency of base metal and counterfeit pieces.

The only other legislation during the colonial period intended to attract specie, was a provision inserted in the revenue acts after 1726. The duty upon slaves was paid by the purchaser, and not the importer, it will be remembered. And an allowance of fifteen per cent. was made to all who paid for the slaves so purchased, in money which they themselves had imported. This customary allowance remained in force until 1781, when it was increased to twenty-five per cent. It was thus but a part of the general fiscal policy of the colony, which had induced the prohibition of the export of money at an earlier day. The need of money also led to the passage of various laws to provide for the coinage of copper money, whenever the King should see fit to provide

¹ Hickcox, *A History of the Bills of Credit or Paper Money issued by New York*, 11 and 20-1.

² Hening iv, 218.

³ Laughlin, *History of Bimetallism in the United States*, Appendix ii.

for it. This provision of the act of 1642 was re-enacted in 1726. It is probable that William Wood issued a few coins under this law, but the amount was insignificant.¹ In 1769 another law was passed to purchase £2,500 of copper for small money.² This was reduced to £1,000 in 1772; and various inducements were offered to private individuals to take it up; but they all alike failed.³ Jefferson in his correspondence says that "in Virginia copper coins have never been in use."

The result of this hurried survey of the legislation of Virginia, during the first half of the eighteenth century, only confirms the impression conveyed by its previous history, that there was really a considerable amount of money current in the colony in normal times. The situation in fact was rather favorable than otherwise. Virginia was the only colony, except Georgia, which was not forced to issue paper money during a time of peace. A contemporary writer in the *London Magazine* of July, 1746, declares that paper money was "not taken on the Western Shore of Chesapeake, where only Gold and Silver is current." As we have already seen, the public dues were generally paid in tobacco notes after 1730; but this custom does not seem to have been universal by any means. Some counties always paid in money, and some were allowed to pay in coin whenever tobacco rose above a certain price.⁴ But those individuals who did so pay were examined before the county courts, and their names were entered in a special register. The difficulty seems to have been not in procuring the coin so much as in establishing a just ratio between specie and tobacco.

A peculiar custom prevailed for many years, whereby the "wages" of the Burgesses were paid in money and not in

¹ *Virginia Historical Collection, New Series*, i, 55.

² Henning viii, 343.

³ *Ibid.*, viii, 535.

⁴ *Ibid.*, v, 169; vi, 568; vii, 240.

tobacco. This was first tried in 1723, when it was intended "for the relief of the people;" and it proved to be popular with the members of the legislature at all events, for it was continued until the outbreak of the Revolution. It is a peculiar commentary upon the disinterestedness of the Burgesses that in proportion as specie became scarce the payment of money "wages" was made more rigorous. As for instance, until 1772, no money was paid unless there were a balance of £1500 in specie in the treasury; but at that time, when specie was fast disappearing, payment of "wages" in money was ordered, whether there were a balance of coin or not.¹ The special significance of this custom to us here is that it shows that money was habitually in circulation, even during the period of paper currency.

The price which was fixed for silver, six shillings eight pence currency an ounce, in 1727, was apparently about the normal value of it at that time. It was the customary price in Massachusetts, as early as 1672;² and it was the rate which was adopted on the return to a specie basis in 1749.³ Rhode Island followed suit in 1756.⁴ Pennsylvania had already in 1742 fixed the value of an ounce at eight shillings six pence of her currency, at seven and one-half shillings to the dollar.⁵ There being but about six to the dollar in Massachusetts and Virginia, this value of eight shillings six pence, was really about six shillings eight pence when reduced to their standard. The reason why this value was finally determined upon was because it corresponded best to the actual value of silver in the markets of the world. This price after 1750 varied from five shillings two pence to five shillings eight pence sterling the ounce.⁶ And this value will be

¹ Henning v, 172 and 104.

² Hickcox, *An Historical Account of American Coinage*, 9.

³ Hutchinson, *History of Massachusetts*, 435. ⁴ Phillips, i, 111. ⁵ *Ibid.*, i, 27.

⁶ Franklin's *Report to the Board of Trade*, February 5th, 1764; cf. Adam Smith, *Wealth of Nations*, book i, chap. v.

seen to bear a relation to the price fixed in Virginia, of approximately three to four, which corresponds very nearly with the relative values of the shilling "sterling," and the shilling "currency."

If then this rate of six shillings eight pence the ounce was just about the normal figure, it probably left the specie in circulation to adapt itself to the variations of demand and supply easily and quickly. It was formally established as the legal rate in 1792 again at \$1.11 per ounce;¹ which rate was not altered again by the State, since it thenceforth became subject to the laws of the United States. This was a little above the old figure of six shillings eight pence, for the Virginia dollar had been equal really to less than six shillings. Jefferson tells us that the first sign of the depreciation of the Virginia currency during the Revolution was the rise of the dollar to six shillings.² It had formerly been computed at five shillings nine pence, although it passed for six shillings in trade. In 1782, however, the rate of six shillings to the dollar was made the legal ratio,³ and it so remained until 1850.

It remains now to deal with the value of the gold coin, which was fixed in 1714 at five shillings per pennyweight. The value of silver as compared with gold seems to have risen steadily during the period from 1700 to 1760. In 1700 the ratio was about 15.27 to 1, and it fell to 14.56 to 1 by the middle of the century. After this time it rose again to about 14.76 to 1 by 1790.⁴ This relative change in value does not seem to have affected the price of silver in Virginia as we might expect. Instead of this, the value of the gold coin was proportionably advanced. The rate of five shillings was raised in 1782 to five shillings four pence the pennyweight;⁵

¹ Hening xiii, 477.

² *Notes on Virginia*, 285.

³ Hening xi, 117.

⁴ Laughlin, *History of Bimetallism in the United States*, Appendix ii.

⁵ Hening xi, 117.

and in 1798 the dollar was worth twenty-seven grains, which is about the same price.¹ This would be about four pounds sterling per ounce, while the price in England was about three pounds seventeen shillings six pence.² Gold was thus overvalued in relation to silver, the ratio being sixteen to one; while the true proportion was less than fifteen to one, as we have seen. This was indeed in accordance with Jefferson's theory, for he desired to "lean to a proportion somewhat above par for gold."³ Spain established the ratio at sixteen to one, and our considerable commerce with her colonies would naturally lead to the adoption of their standard ratio.

Of course during the Revolutionary period all specie was banished from circulation by the issue of paper money. But coin was brought into Virginia in considerable quantities by Rochambeau's army and the French fleet. It is estimated that there was above £1,500,000 sterling in the colonies in French money alone, at the close of the war.⁴ It was even used by the people as ready change; the Marquis de Chastellux observed that it was so plentiful as to be used as "cock-fight money." But this soon disappeared, and in 1788 Warville tells us that the small expenses of town families were doubled because of the lack of hard money and change. The dollar was cut into three pieces, each of the two outsides passing for a half dollar. The cut coin was everywhere seen, and was known as "sharp shins."⁵ In 1786 Madison wrote that "the internal situation of this state in growing worse and worse—our specie has vanished."⁶ This evil was however corrected soon after the adoption of the Constitution. In 1795 the currency of all cut silver and

¹ *Shepard's Statutes*, ii, 84. ² Adam Smith, *Wealth of Nations*, book i, chap. v.

³ Laughlin, *History of Bimetallism etc.*, 11.

⁴ Chastellux, *Travels*.

⁵ McMaster, *History of the United States*, ii, 12.

⁶ *Letter*, May 12th, 1786.

clipped coin was prohibited, and the Assembly resolved that it should all be sent to the United States mint for recoinage.¹ Henceforth all participation of the state in the regulation of money ceased, and the Federal Government assumed the burden which had been so wisely borne by this Commonwealth.

The Value of the Virginia Shilling. One more question in regard to Virginia's money demands our attention. How did it happen that six shillings made a dollar? This value is found nowhere else except in New England. Virginia's neighbors differed widely from her in this respect. In Pennsylvania and Maryland, on the north, the dollar equalled seven shillings six pence, while the North Carolina and New York shilling was worth one-eighth, and not one-sixth of a dollar. To be sure, the law of the 6th Anne declared the precursor of the dollar to be equal to six shillings of colonial currency. But this does not explain why Virginia stands alone among the southern colonies in adopting this ratio. It could not have been due to political affiliations merely, for Massachusetts, the most independent of all the colonies perhaps, adopted the same value for her shilling.

The special importance of the matter lies in the fact that these values persisted as a legal money of account long after the adoption of the Constitution.² In fact the fractional currency itself remained in circulation in rural districts until the act of 1853, which reduced the value of subsidiary coins, drove them out. Nothing but the names remain to-day, as the "Yankee ninepence" (12½ cents) and the "York shilling." Yet these names are the relics of certain actual coins which served as a medium of exchange for our forefathers. In Virginia there were two distinct moneys, the pound sterling, equal to the English coin, and the pound currency, con-

¹ Shepard, *Statutes*, i, 233, 284.

² Shepard, *Statutes*, ii, 44.

sisting of foreign coin, which was reckoned at \$3.33, or about two-thirds of a pound sterling. In conformity with this proportion the shilling currency was worth $16\frac{2}{3}$ cents, and a nine-penny piece equalled $12\frac{1}{2}$ cents. Thus it took six shillings to make a dollar when that unit was adopted in 1791.

Two reasons for this diversity of values among the colonies have been advanced. The one which is commonly accepted, is that it is the result of an arbitrary fixation of the value of certain moneys by the colonial legislatures, in order to attract or retain as large a share of the coveted coin as possible. The theory is that since this arbitrary value was maintained constant for some time, it gradually won adoption as the proper rate and has persisted in custom even after the repeal of the laws themselves. Now this theory may be plausible enough as an explanation of the process, but it does not touch the ultimate cause. It does not explain why these values were so different, if the desire for a specie circulation was equally great in the various colonies. If the legislature of Georgia could successfully affix and maintain a value of twenty cents to the shilling, why was Virginia compelled to stop at a valuation of twelve and a half cents if she needed the coin? It is presumable that the Assemblies of both these colonies were equally provided with legislative energy, and with ink and paper. But it may be urged that Virginia perhaps was too conscientious or too wise to commit herself to a policy of inflation, knowing the inevitable result. Yet Massachusetts and Rhode Island were restrained by neither of these considerations; and they did not succeed in enhancing the value of their specie. To this first theory then it may be answered, that laws do not as a rule make conditions, but are rather the effect and outcome of them. There is no axiom in economic science more evident in the light of experience than that laws *per se* are

powerless in the long run to prevent the natural gravitation of specie to the most favorable market. They may alter the conditions of the market, it is true; but these remaining constant, they cannot hold the elusive specie. Legislation may affect the value of money to a limited extent, as occurred in Virginia in 1710 and 1727; but the change of prices which must soon follow tends to nullify this advantage. Another objection to this theory is the fact that oftentimes these values were not made by law at all. In Pennsylvania, for instance, the ratio of seven and one-half shillings to the dollar was at first a convention among the Philadelphia merchants.

The second theory by which these values of the shilling, so different from the English standard, are explained, is that it was the result of a depression from the standard, by reason of excessive issues of inconvertible paper money. The old arithmetics explained it in this way; and many facts seem to lend countenance to it. Yet, however true it may be for other colonies, as in South Carolina for instance, we may dismiss it at once so far as Virginia is concerned. In this commonwealth there was no issue of paper money until long after the colonial currency had become completely differentiated from the English standard. And when treasury notes were finally emitted, they were comparatively well secured by taxes, so that their credit was generally sustained. Moreover, the value of the shilling was hardly affected at all, when depreciation did really occur during the Revolutionary period.¹ We conclude, therefore, that whatever may be true as to the other colonies, this theory is entirely inadequate to serve as an explanation of this phenomenon in Virginia.

Thus we are compelled to seek a cause behind, and in addi-

¹ *Vide Wright's American Negotiator, Int.*, v, and viii.

tion to, the apparent one which has sufficed for so long as an explanation. Was there not a cause which, operating upon trade in each particular case, produced the condition of affairs which we have observed? Even where the validity of the paper money theory is admitted, it is probable that there was a deeper cause which induced legislation. Might it not have been the varying intensity of this hidden force, which compelled the several colonies to resort to the precarious expedient of paper money in the first instance—the extent of these emissions being in some measure proportioned to the magnitude of the force itself?

We find the explanation of this complicated problem mainly in the inexorable conditions of the foreign trade, as it was regulated in the selfish interest of Great Britain. The influence of this in compelling the colonies to the issue of paper money has indeed been recognized. But here in Virginia we see the difference between currency and sterling fixed long before any paper money appeared. It will be remembered that the price of silver fixed in normal currency in 1727 remained in force until the end of the century, despite all the exigencies of the wars intervening; and yet this price was one-third higher than the price of silver in London reckoned in sterling money. How did this come to be adopted as the ratio?

The Spanish money which formed the larger part of the coin in circulation during the seventeenth century in Virginia, was worth from fifteen to twenty per cent. less than the English sterling coin;¹ and sterling bills on London were apparently worth about ten per cent. more than this English money. Thus the rate of exchange on London, reckoned in current Spanish money, probably stood at twenty-five to thirty per cent. premium, more or less—a fact upon which

¹ Hening iv, 319; Hugh Jones, p. 45.

we have already commented. The planters kept all of their credits in London, computed at their value in that market where they alone could purchase whatever supplies they needed. It must always be borne in mind that there were no towns, or seaports; and therefore, that there was little commercial intercourse between the planters themselves. Each one dealt independently with his London factor; but all living substantially the same sort of life, there was but little variation in the rates of exchange for each group. Thus each one computing the value of his crops, in which all property and profits were measured, naturally rated them in terms of the commodities which could be procured in exchange for them. There was no market in Virginia; all transactions were necessarily made on a London basis and, therefore, were reckoned in sterling money. But this money itself was not present in the colony; there was practically nothing but Spanish silver in circulation, and this was worth only three-fourths of the sterling money. If a planter desired to increase his London balances, or to pay for goods purchased there, he was obliged to pay about one-third more than the London price, since he had no money except this Spanish coin or bullion, which could be shipped in settlement. This fact coupled with the constantly unfavorable balance of trade compelled him to pay a premium for everything which he bought.

This premium of about twenty-five per cent. for London exchange was maintained with remarkable constancy. Apparently it was the rule during the second quarter of the seventeenth century, as we have seen. In 1775 it was fixed at twenty-five per cent. by law as the just ratio of currency to sterling.¹ The rate of exchange in 1759 rose apparently to one hundred and forty, at which point specie was sent to

¹ Hening vi, 479; and *Richmond Despatch*, September 22nd, 1877.

Philadelphia to buy bills of exchange, which were sold in Virginia at a profit.¹ This, however, was due to the slight depreciation of the paper money. In 1761 the par of exchange in London was one hundred and twenty-five.² During the Revolution it rose as high as one hundred and fifty, owing to the depreciation of the paper money.³ After this time, when the value of the standard was depressed somewhat by over-issues of paper, the rate of one hundred and thirty-three per cent. was adopted in legal practice. For a time judgments for sterling debts were computed at the exact rate of exchange then ruling; but gradually the method of allowing this fixed proportion of one-third premium was adopted by the courts.⁴ Thus it became customary to account six shillings of currency as equivalent to four shillings six pence sterling in London, where alone it could be expended to any purpose. The Virginia-Spanish shilling was really worth only three-fourths of the sterling coin. When the dollar was adopted, worth a little above four shillings, the currency gradually fell into place as one-sixth of this new coin, the nearest ratio in round numbers. Until the reformation of the gold coin in England, four and one-half shillings equalled the precursor of the dollar; but with the appreciation of the silver coin, consequent upon that change, the ratio approached more nearly that of four to one, at which it stands at the present time.⁵

This theory seems to be sustained by the facts observed in the other colonies. It is complicated here, however, by the presence of fluctuating paper currencies during the later

¹ Burnaby's *Travels*, 717. ² Wright's *American Negotiator*, London, 1761, p. v.

³ *Calendar Virginia State Papers*, ii, 235.

⁴ *Virginia Law Journal*, August, 1877; Shepard, *Statutes*, i, 34; *Journal of Assembly*, May 25th, 1770; and the case of *Wickham in Terrell vs. Ladd*, 2 Wash., 150.

⁵ Adam Smith, *Wealth of Nations*, book i, chap. v.

colonial period, which undoubtedly influenced the course of development to a certain extent by depressing the value of the paper currencies. But even in these cases differences between sterling and currency money are observed long before any emission of bills of credit. As early as 1685 English coin was "something above one-third higher" than country money in Pennsylvania;¹ and the rate of foreign exchange—that is, the price for sterling in London—must have exceeded this by the premium required for interest, insurance and cost of transportation. Franklin affirms that the customary rate of exchange in the middle of the century was one hundred and sixty to one hundred and eighty-five, while the depreciation of the paper money was slight in amount.² A very simple calculation will show that this rate is nearly proportional to the ratio existing between the English shilling at twenty-two cents, and the Pennsylvania shilling at thirteen and one-third cents.

In New York the premium was somewhat higher previous to the issue of paper money, owing, it was said, to the demand of importers for specie to settle foreign balances. In 1748 the rate of exchange stood at one hundred and ninety computed in paper, which was not yet depreciated to any extent.³ In 1761 it had fallen to one hundred and seventy-five. As a rule the rate was somewhat higher here than in Philadelphia;⁴ and at the same time the shilling was worth less in sterling than it was in Pennsylvania. Our theory assumes that these relative values were maintained, not

¹ Gowan, *Bibliotheca Americana*, i, 354.

² *Works*, ed. 1809, ii, 35c; Appendix, 421; Hickcox, *A History of the Bills of Credit, or Paper Money issued by New York*, 37; *American State Papers, Finance*, v, 104.

³ Bozman, *History of Maryland*, ii, 391; Hickcox, *A History of Bills of Credit, or Paper Money issued by New York*, 37.

⁴ Wright's *American Negotiator*, v.

because the shilling was of different value, thus fixing the rate of foreign exchange, but because that natural rate of exchange was different, which led to a depression of the currency standard to proportional degrees in each case. These relative proportions being maintained constant for some time, the value of the shilling became fixed in conformity with it, and so persisted in customary reckonings after the abolition of the currency itself.

Of course it will be objected at once, there must necessarily be this close correspondence between the rate of exchange and the value of the colonial shilling. For does not the one serve to measure the other? To show this relation is merely to prove a self-evident truth. This being so, is there not as much reason for asserting that the value of the shilling caused the rate of exchange, as for the contrary proposition? To this we answer, that this might be admitted, if any cause could be assigned for the value of the shilling in the first place. But we have shown already that the different values of the currency in the colonies cannot be explained by any conditions entirely resident in the colonies themselves. The same Spanish money being present in all of the colonies, the effect of this alone would be to make all of the values uniform, which did not occur. This currency, therefore, appears as an inherently passive factor, and not an active agent. To be sure there was a greater demand for money for domestic trade in certain of the commercial colonies, such as New York and Pennsylvania, than was the case in Virginia; and it is natural, therefore, that the shilling should bear a higher value in those places. But this does not explain the case of North Carolina, where the value was the same as in New York! Neither does it account for the equal values of the shilling which prevailed in Massachusetts and Virginia. In both these cases the internal conditions were widely different, and yet the phenomena are exactly

alike in both places. Thus we are forced to turn to external factors once more. It must have been the foreign demand for specie, and not the extent of the domestic use, which was the primary factor. And the probability remains that it was the condition of the foreign trade, which so regulated the demand for remittances of coin that the shillings gradually conformed to it by necessity. It was the bidding for money to supply this demand, which finally established the rate at which it passed in circulation.

In several respects Virginia was favorably situated in comparison with the other colonies. There was a constant demand for her staple commodity in England, which, although limited by onerous customs duties, was not absolutely prohibited, as was the case with many of the products of the middle colonies. Then again she was not made to bear an undue share of the burden of paying for imports for her neighbors, as was the case with the commercial colonies. And lastly, the domestic demand for money was less, in the absence of towns. The slave obviated the necessity for a wage fund; and the tobacco notes were a ready substitute for money. To be sure, the supply of coin from the Spanish West Indies was largely obtained indirectly through the other commercial colonies; but even here the close relations with New England for many years were a partial equivalent.

Virginia, therefore, had to struggle against lesser odds than some of the other colonies. If it was indeed the unequal pressure put upon the coin, which caused the great diversity in the standard among them; and if it be true that Virginia had less to bear in this respect; it is natural to expect that the value there will depart less widely from the English standard than was customary in other places. The whole monetary history of the Commonwealth has shown that the need for specie was less urgent than elsewhere.

The value of current coin was never raised until after all her neighbors had bid it up, and were threatening to rob her of her just proportion. And even as she was backward in this matter, so also was the progressive depression of her standard restricted. It went on, as we believe, until the proper proportion to suit the conditions of the foreign trade was reached. There it was arrested naturally, and the value of the current money stood as an indication of the general balance of her trade with Great Britain.¹ This alone determined it in those times; for there was no other trade, and could be none until the whole hateful system was abolished in the course of time.

¹ Wright's *American Negotiator*, Int., viii.

CHAPTER VI.

PAPER MONEY.

Tobacco Notes. Besides the ordinary money which was in circulation in Virginia, a supplementary currency was used, which has never been adequately understood. Those who have written of it at all, have treated it so loosely that its true significance has been lost. We shall see that it did not serve as a complete substitute for specie; for it was confined to certain localities in the colony and, moreover, it was not a legal tender for all debts. Nevertheless, it was an ingenious contrivance for supplying the monetary needs of a simple community, insufficiently supplied with metallic currency.

The whole of the seventeenth century is marked in Virginia by a continual struggle against fate to uphold the price of tobacco. Expedients of all sorts were tried; restrictions were imposed upon planting, and crops were half destroyed; agreements were made with Maryland and the Carolinas to secure united efforts; but it was all in vain. After a time, however, the depreciations seem to have come to a stop, so that prices did not vary extensively after 1700.¹ Public inspection of tobacco had existed in Virginia from the earliest days. In 1632 warehouses were erected to be under the charge of appointed keepers. No tobacco was allowed to pass in payment of debts until it had been overlooked. And all such debts were settled at the warehouse by a mere transfer of book credits.² This system, with some modifica-

¹ *Vide quit-rents, supra.*

² Hening i, 204.

tions for the more sparsely settled districts, where warehouses could not be located conveniently, was adhered to until about 1700.

About this time the need for a reform was apparent to all. There were two inconveniences in the old method of making payments in bulk tobacco. In the first place, it was costly and cumbersome,—objections which were urged in New England about the same time against the payment of levies in grain.¹ We are presented in history with the pleasing spectacle of “gallant young Virginians hastening to the water-side, each carrying a bundle of the best tobacco under his arm” in order to purchase a wife.² This was perhaps well enough when tobacco was rated at three shillings a pound. But when it had fallen to two pence per pound, the burden of these ardent lovers would have amounted to above two tons. It is difficult to conceive of even a gallant Virginian “hastening” under such circumstances. As for transportation by wagon, it was next to impossible, since the roads were so few and bad. The numerous creeks and rivers were used, but with the extension of the settlements into the interior, the difficulties were vastly increased. The second evil of this system was the liability to fraud and deception, which could be easily practised by designing debtors. And the government was the most important creditor in this respect. The Governor said, “The Publick Credit is so sunk by these payments, that, as now, no service is readily performed for them. So I am confident no money could in any Exigency be borrowed upon the faith of them.”³

The tobacco notes which were introduced by Governor Spotswood were intended to remedy these abuses. The

¹ Felt, *Historical Account of Massachusetts Currency*, 53.

² Gouge, *A Short History of Paper Money and Banking in the United States*, 4.

³ *Calendar Virginia State Papers*, 1, 168.

primary object, however, was to secure a more stable value for the tobacco which was received in payment of the quit-rents.¹ It will be remembered that these dues, originally payable in money, had been commuted to tobacco at a fixed rate, at the earnest solicitation of the people. About 1710 the Governor began to consider the question seriously, and his correspondence is filled with discussions of the problem. At last he decided upon a bill providing for a more rigid inspection of tobacco, which had been neglected for some years. With this was to be instituted a "convenient method that establishes for the making all P'ments by the agents notes, which are to pass like Bank Bills."² The Governor was evidently proud of this idea, for he wrote to the Board of Trade: "I must owne myselfe to be not only principally concerned in framing the Bill, but even from the beginning the Sole Author of the Scheme."

This was not a fact, however. Already in 1685 a pamphlet was published by one Budd, advocating the issue of notes,³ based upon the deposit of duly inspected hemp, flax, linen and other commodities in public warehouses. This project was revived in Virginia even in 1705, when tobacco was proposed as the basis for such a currency.⁴ Nothing came of either of these proposals, and it remained for Governor Spotswood to secure a practical application of them. The system was actually introduced in accordance with his plan, although there is no record of any such legislation in Hening's Statutes. The law was satisfactory to the government apparently; the Governor wrote of it two years later, "The scheme is likely to answer fully my expectations.—the Publick Credit which was one main end thereof being

¹ *Spotswood Letters*, ii, 61.

² *Letters*, December 29th, 1713.

³ *Good Order Established in Pennsylvania and New Jersey*, reprinted in Gowans, *Bibliotheca Americana*, i, 337.

⁴ *Calendar Virginia State Papers*, i, 96.

now raised above two hundred per cent."¹ Unfortunately there was determined opposition to the law on the part of the planters. A sheriff of Essex County complained that "the people's inclinations are so great against the Tobacco law, that they have not meet me to pay their Dues, so yt all are unpaid. They further signifie Their Dissatisfac^{on} by burning one of Mr. Buchner's Store houses, by running away with their Tob^o to buyers, so yt its near if not quite all sold."² The difficulty finally merged in that struggle of the colonists to secure control of the quit-rents for their own use, which resulted in the suspension of Colonel Ludwell, the Auditor. At last the law was repealed, in obedience to the popular clamor. Perhaps the best criticism of it is that "though the first design was for public tobacco only, yet the private crops of gentlemen being included in the law was esteemed a great grievance, and occasioned complaints which destroyed a law, that with small amendments might have proved most advantageous."³

No further attempt was made to reintroduce this note system until 1730, when it was established in a slightly different form which gave less offense to the planters. This act "For Amending the Staple of Tobacco; and preventing Frauds in His Majesty's Customs," was passed by the Assembly with two distinct objects in view. The first of these was to provide for such inspection of the staple export of the colony as should prevent it from being brought into discredit abroad, to the damage of the general interests of the colony. The second and minor object, was to provide a convenient medium of circulation for local or domestic exchanges, and especially for the payment of taxes, quit-rents, fees and other public dues. In this latter sense it may be

¹ *Letters*, March 28th, 1715.

² *Calendar Virginia State Papers*, i, 181.

³ Hugh Jones, *Account etc.*, 556.

regarded as a mint regulation to prevent fraud in the payment of debts through debasement of the medium of exchange. Since our purpose is to show its fiscal importance merely, this latter object alone will be held in view. The first consideration belongs rather to a history of commerce. The act of 1730¹ provided that no tobacco should be exported from the colony, or used in the payment of any public or private debts, until it had been inspected by two public officials appointed by the Governor on the nomination of the county courts. This tobacco was then to be deposited in casks in public warehouses, conveniently located in each county for that purpose, there to remain until it was exported. If it were to be used for the payment of any domestic debts, "promissory notes" were issued to the full amount of the tobacco on deposit. These "transfer notes" were to state the amount, the particular brand, the date of deposit and the warehouse wherein the tobacco lay. They were to be a legal tender for all tobacco debts in that particular county where the warehouse was located, or in any adjacent ones, not separated from it by one of the great rivers. They were to be convertible into tobacco on demand at the warehouse where the tobacco was deposited, but they were not to constitute a lien upon any particular casks; they were merely representative of a given amount of tobacco of a certain grade. In order to prevent discrimination or inequality in the payment of public debts, due to the difficulty and cost of transportation to the warehouses from different places more or less distant, certain drawbacks were permitted. These varied from thirty per cent. in the inland counties to ten per cent. on the shores of Chesapeake and on the great rivers. For private exchanges, however, such drawbacks were neutralized by reimbursing the creditor

¹ Hening iv, 251.

from tobacco levied by the county courts for that purpose. In case of destruction of the warehouses by fire or flood, the Assembly held itself liable for the loss incurred.

A substantial addition to this system was made in 1734, when a second variety of circulating notes was authorized.¹ This was to provide for the case of the "private crops of gentlemen," which gave so much offense in the first law. This law applied to all tobacco which was merely stored awaiting export, and not intended for the payment of public dues. For such tobacco, so-called "crop notes" were issued against specified hogsheads which were distinctly branded and specially reserved until the notes representing them should be presented. The inspection for this tobacco was less rigorous, and the fees were only about one-half as great as those allowed for the inspection of transfer tobacco. Provision was made for an exchange of crop for transfer notes by the payment of an additional fee.

These two varieties were as distinct from one another as are the United States Silver Certificates and the Treasury Notes of 1890. The crop notes, like the Treasury Notes of 1890, were mere issues of paper against the deposit of a commodity in bulk. The transfer notes on the other hand, issued against minted tobacco, so to speak, resembled the Silver Certificates which are issued against coined silver dollars. Yet, strange to say, their legal tender qualities were exactly reversed. In Virginia the minted tobacco representatives were a legal tender for all tobacco debts, while the notes issued on mere crop tobacco were denied that quality at first. In the United States, the Treasury Notes issued on coined dollars are not legal tender, while the representatives of mere silver bullion are receivable for all debts. Of the two, the Virginia plan seems more reasonable. We must beware,

¹ *Hening v.*, 388.

however, of carrying the analogy too far. For in the United States silver is a rapidly depreciating commodity, while tobacco during the eighteenth century held its own bravely.

This system underwent but few modifications in the colonial period, except so far as changes in administration were made necessary by the increase of population and the determined attempts to evade the law. The transfer tobacco which was received in the payment of public debts was sold annually, and the proceeds were devoted to the proper uses. They were not to pass current after that year, but others were substituted for them. Gradually the crop notes seem to have become used for the payment of debts, which apparently was not the original intention of the legislators. This led to considerable frauds, and in 1748 a more stringent law was enacted, strictly and effectively limiting the legal tender quality to the transfer and crop notes.¹ The system was suspended for a time during the war of 1755, but in 1761 was revived in the old form. The only change previous to the Revolution was a reduction of the time of deposit for crop tobacco notes from eighteen to twelve months. This was found necessary to prevent the great waste from shrinkage.

The act to continue this system having expired in 1775, the Assembly resolved to substitute payment in bulk for the use of notes.² All public dues were henceforth to be rendered in clean tobacco tied in bundles. Two neighbors were to adjudge its quality, as well as of the deduction which should be made for transportation. This was productive of great fraud:³ so that at the next session tobacco was declared a legal tender only when it was delivered at certain appointed places.⁴ During the Revolution the community was often reduced to the direst extremities for the lack of a

¹ Hening vi, 222.

² *Ibid.*, ix, 96.

³ Smyth's *Travels*, ii, 137.

⁴ Hening ix, 132.

circulating medium; tax receipts were accepted for new taxes, and great confusion ensued. Finally, in 1783, the old system was again put in force,¹ and payments in kind were prohibited.²

At first there was the direst confusion. The market price of tobacco varied from twenty-eight to eighteen shillings a hundredweight, according to the situation of the warehouses.³ Moreover the rigidity of the inspection varied widely, and this also served to give different values to the notes, according to the reputation of the inspectors⁴ through whose hands the tobacco had passed. In fact the whole project of receiving tobacco in lieu of paper money for public dues was adopted merely to prevent the inflationists from demanding more bills of credit. James Madison, as a member of the Assembly in 1786, wrote that "in accepting tobacco for a commutable we perhaps swerved a little from the line on which we set out. I acquiesced as a probable means of obviating more hurtful experiments; there is reason to hope the public treasury will suffer little, if at all. It may possibly gain."⁵ As a matter of fact it really entailed a loss to the State of five to six per cent. on all its tax receipts, although it undoubtedly did avert the danger of more paper money. In 1792 a detailed act revived the old system in its entirety. The gradual retirement of old warrants, certificates of indebtedness and bills of credit, which had formerly sufficed,⁶ rendered these tobacco substitutes necessary. There is little more mention of the system in the laws, however, and it is probable that it was gradually displaced by the money issued by the United States.⁷

¹ Hening xi, 205.

² *Ibid.*, 289.

³ *Ibid.*, xii, 258.

⁴ Warville's *Travels*, 436.

⁵ *Letters*, December 4th and 7th, 1786; as well as Joseph Jones' *Letters*, July 23, 1787.

⁶ Rives, *Madison*, ii, 146.

⁷ La Rochefoucauld's *Travels*, 69.

We have seen that on the whole these notes were a good substitute for hard money in a rural community. They were not liable to the abuses of paper bills; and they never suffered depreciation. Yet, of course, they were open to the dangers incidental to any paper money based upon a commodity whose value rises and falls from year to year. Finally it must always be borne in mind that they were legal tender only in the immediate locality of the warehouse in which the tobacco was deposited. It is unfortunate that the last two writers who have attempted to describe the system should have given the wrong impression in this respect.¹ They were probably intended to act as a circulating medium for a limited time; they circulated only within a circumscribed area; and lastly they were not used until after the middle of the colonial period—all of which features are misrepresented in the only works on the subject. The present value of this study lies in the fact that the recent proposals of the Farmers' Alliance in the United States are almost identical with those which were applied for over half a century in Virginia. Nevertheless the conditions are so radically different to-day, that this study will but serve to show the utter inadequacy of such fiscal systems to the complex transactions of our modern trade and commerce.

Treasury Notes. The Commonwealth of Virginia stands almost alone among the colonies of America in abstaining from the issue of paper bills of credit during the first half of the eighteenth century. We have seen that she had made use of an admirable substitute for coin by means of notes issued against deposits of her staple commodities; and besides this there seems to have been considerable coin in the colony. Thus the demand for a circulating medium was fairly well satisfied during this time of peace.

¹ Henry Phillips, Jr., and Chastellux.

In 1755, however, war with France broke out and the supply of silver which had been coming into New York and Philadelphia from the Spanish colonies was cut off. Exchange on London rose rapidly, and this, with the natural tendency of a people to hoard at such a time, resulted in a complete disappearance of all specie. Moreover the concentration of forces about New York also called for a large amount of cash, which was drawn by bills of exchange.

The Governor issued a call for the Assembly to meet on May 1st, 1755, to consider the situation. He had apparently considered the probable necessity for some issue of paper. Governor Dobbs, of North Carolina, suggested in January that a Loan Office to issue paper notes upon landed security might be possible; to which Governor Dinwiddie replied;—"the method you propose, I think very eligible." When the Assembly met, however, they finally decided to raise twenty thousand pounds by extra taxes. Yet this money was needed at once. To wait until levies had been made in tobacco, and this again could be converted to the use of the Assembly, would have been ruinous. Therefore—"as silver and gold are very scarce, they issue £20,000 in Treasury Notes to be discharg'd and p'd next June."² These notes were to bear interest at five per cent, and were to be a legal tender for all debts except the quit-rents.

In August came the news of Braddock's disastrous defeat, which showed that the struggle was to be more serious than at first had been supposed. A special session of the Assembly was immediately called, and forty thousand pounds more in notes was willingly granted.³ These were to run for four years, and like the first, were fully covered by extra taxes upon lands and polls. Of these the Governor wrote: "our Treasurer's Notes pass for cash, bearing five per cent.

¹ *Letters*, January 17th, 1755. ² *Letters*, June 8th, 1755. ³ Hening vi, 528.

interest, w^{ch} I think is equal to Silver or Gold,—the Subjects have the several Taxes secur'd to them for the s'd Payment—and I took Care y^t the time for call'g them in sh'd be short."¹ The success of these substitutes for cash seems now to have over-excited the popular representatives when they reassembled in October. The Governor reported of them that "they endeavor'd to pass an Act for issuing two hundred thousand pounds Paper Money, to be curr't for 8 Years, with't proper Security. I formally gave my consent to vizt, £20000 and £40000 by the Advice of the Council, and on the pres't Emergency of our affairs: but the last attempt—w'd ruin the Credit of the Co'try, encourage extravagance and Idleness among the young People of Estates, who w'd have borrow'd large Sums from the Office."² The craze still spread, however; in April, 1756, seven of the most populous counties sent in a petition praying for a loan office for three hundred thousand pounds, alleging that the scarcity of cash was so great "that families are likely to be ruined by having to sell goods for one-half value."³

The Governor was firm, and refused to assent to any such schemes. He tried to induce Parliament to impose a general land tax on all the colonies, or to issue a special currency to pay for the expenses of the war, but to no avail. After the emission of these first notes the Governor's correspondence assumed a very apologetic tone. He wrote to the Earl of Halifax: "I always was averse to Paper Mo., but I beg leave to assure Y'r L'd'p, y^t with't it they w'd grant no supplies;—the absolute necessity and Emergency of our affairs prevail'd on me."⁴ The only issue to which his consent could be obtained during this year was one of £25,000.⁵ An issue of £10,000 was also made to recom-

¹ *Letters*, August 25th, September 6th, 1755, and March 10th, 1756.

² *Letters*, November 15th, 1755.

³ *Journal*, April 6th, 1756.

⁴ June 10th and July 27th, 1756.

⁵ *Hening* vii, 18.

pense the holders of tobacco notes, who suffered by the destruction of two warehouses; these last notes, however, were fully secured by an extra tax upon tobacco exported.¹

In April of 1757 the first two issues of paper were called in, and new notes without interest were substituted for them. The former allowance of interest was declared "to be very burthensome to the country," for it was found that the notes all bore different values according to the periods for which they were to circulate. The new notes were to be of various denominations from five pounds to a shilling, and to be redeemable in 1765. This seems to have been satisfactory to Gov. Dinwiddie, who reported that they had granted "all he desired."² The emission of £80,000 in notes does not seem to have caused any uneasiness, as he affirmed that taxes were laid which would fully secure them all.

The policy of the Commonwealth was now definitely decided upon, and the issues of notes followed each other in regular succession. In March, 1758, thirty-two thousand pounds was emitted; in September, fifty-seven thousand pounds, and in the following February, fifty-two thousand pounds. The Treasurer was empowered to borrow ten thousand pounds in November, 1759, if it could be done. This is the first instance of any attempt to contract loans for an indefinite term of years; and it was apparently not regarded with much confidence, as the treasurer was empowered to issue notes for the amount in case the loan could not be obtained.³ One-half of this loan was merely a completion of the quota allowed by a former act. The real addition to the circulation in 1759, therefore, was but fifty-seven thousand pounds. All these notes were to be redeemed in eight years, and were well secured by extra taxes. The obligations at this time incurred amounted to above four hundred

¹ Hening vii, 48.

² *Letters*, June 14th, 1757.

³ Hening vii, 334.

thousand pounds; but the taxes, though heavy, were confidently believed to be sufficient to uphold the credit of the notes.¹

In May, 1760, it became necessary to emit thirty-two thousand pounds to provide funds for the relief of the garrison at Fort Loudoun.² This extra sum in addition to the regular emission of March of the same year, which amounted to twenty thousand pounds, seems to have cast the first shadow of distrust upon the paper money. The first emissions had come due in the preceding year, and had been promptly paid; no provision had been necessary to punish depreciation of them beyond a nominal penalty of twenty per cent. By 1761, however, the variety of the issues, and their different periods of redemption, began to create suspicion. In November of that year, the Assembly declared it to be "of the greatest importance to preserve the credit of the paper currency of this colony," and proceeded to take effective measures to secure that result. All of the notes then in circulation were made redeemable after October 20th, 1769.

The British government by this time manifested its settled purpose to aid the colonies, and £200,000 in money had already been granted.³ Nevertheless the English factors of the planters, to whom the security of the bills was of great importance, were not satisfied. Already in 1759⁴ they had secured the sending of instructions to the Governor, to enforce suitable provision for foreign creditors; but in spite of it, the notes were persistently declared a legal tender for all debts. The aid from Great Britain now proved sufficient to prevent the necessity of further inflation of the currency. But one more emission of notes was made during the war, when in March, 1762, £30,000 was issued on the security of an ad-

¹ Burnaby's *Travels*.

² Henning vii, 360.

³ *Governor's Address*, November, 1761.

⁴ *Journal*, November, 1759.

ditional poll tax.¹ During this year the British government had remitted over £18,000 in money, which had been used for contingent expenses.² The problem which next confronted the colony was the necessity of providing for the redemption of the notes when they came due.

The Treasury Notes apparently suffered some depreciation by this time. And although it was probably not considerable, it seems to have occasioned some disquietude.³ In opening the session of 1762, the Governor cautioned the Burgesses, saying, "it hath been found that the meddling with the Medium of Trade, whether it be Bullion or Paper, is of a delicate nature, and is often attended with a long train of very distant consequences."⁴ Despite this warning the Assembly protested that they had no other "Means of defraying the Expenses, than by a new Emission of Treasury Notes which may depreciate the Value of the Notes already issued."⁵ Yet the Governor again refused his assent, and no bills were issued.

The British merchants were still unfortunate in their demands for sterling remittances during 1763, and the Governor forcibly demanded consideration of the question.⁶ To this the Burgesses respectfully replied that "they never thought it just to circulate them without making them a Legal Tender, nor could we ever have been induced to emit them on any other terms."⁷ They were persuaded, however, to appoint a committee to investigate the security on which the notes were based. This committee reported that taxes had been laid to produce £424,000 by October, 1769, which was £11,000 in excess of the value of the notes in circulation.⁸

¹ Hening vii, 497.

² *Journal*, November 2nd, 1762.

³ *Massachusetts Historical Collections*, x, 521. ⁴ *Journal*, November 2nd, 1762.

⁵ *Ibid.*, December 2nd, 1762.

⁶ *Ibid.*, May 19th, 1763.

⁷ *Ibid.*

⁸ *Ibid.*, May 24th, 1763.

The Assembly therefore resolved in regard to the treasury notes that "to alter the essential quality of them would be an act of great injustice to possessors." Four days later they followed this by an elaborate defense of the policy of the House, declaring that Virginia was only following the example of the other colonies. "Even then," they continued, "we chose at first to borrow £10,000 at the high interest of six per centum, and never till after that resource failed went into a measure so little relished; there are no warm advocates of paper money among us, further than to preserve the credit of what hath been issued, and prevent the evil consequences of stopping its circulation at this Time. . The want of specie was the sole Cause of issuing our Notes; there will require no other Reason to be assigned for our not circulating them upon the footing of Bank or Exchequer notes." After which declaration they resolved not to remove the legal tender quality of the bills. To this argument Governor Dinwiddie had nothing to reply except to "candidly acknowledge the taxes are sufficient, but I think you might have shown this sooner." Despite which assertion, the whole matter was argued again at the following session of the Assembly, with the same results.

A new scheme was now devised in 1765, which was presented from a committee of the whole by Peyton Randolph, who seems to have been the innocent tool of a corrupt cabal of officeholders.³ The project was for a Loan Bank, which should issue notes on landed estates, by means of which the Treasury notes were to be removed from circulation. £240,000 sterling was to be borrowed in Europe at five per cent. of which £100,000 was to be secured in bills of exchange.

¹ *Journal*, May 28th, 1763.

² *Ibid.*, May 31st, 1763.

³ A complete description of this plot is given in W. W. Henry's *Life of Patrick Henry*. Vide also *Journal*, May 24th, 1765; *History of Virginia*, by Chas. Campbell.

The remaining £140,000 was to be in sterling money on which Bank Notes were to be issued. In order to provide for the interest and a sinking fund for this debt, which was to be all redeemed in 1779, a heavy tax on the export of tobacco was to be laid. And to reimburse the planters for the extra burden, they were gradually to be repaid from the proceeds of a special poll tax. The final burden was thus shifted upon the heads of the people at large. Fortunately for the colony, we may believe, this scheme came to naught, being opposed alike by the Council, and the Commons under the leadership of Patrick Henry. The death of the Treasurer soon after, revealed the true nature of the project.

All of the extra war taxes were repealed in 1768, as the ordinary levies were deemed sufficient to retire all of the notes then in circulation.¹ Thus ended the first experience of Virginia with paper money. As a whole it is a creditable record. And the judgment of a contemporary governor seems well founded, that "the loss on Virginia paper was honestly acquired by the Government's exerting itself in the common cause. Had it looked on tamely as Maryland did, like an unnatural offspring, it had not been blamed, perhaps commended; Maryland is happy because it has been disobedient and neglect'd her duty."² There was undoubtedly a considerable party in the legislature which favored paper money; and perhaps it was the firmness and wisdom of the Governor which averted the danger. But we must remember the distress of the times, and the heroic exertions of the colony during the war. In view of these facts, the moderation and foresight of her statesmen is in marked contrast with the reckless financiering of some of the other colonies both north and south.

¹ Hening viii, 297.

² Massachusetts Historical Society: *Aspinwall Papers*, vol. x, 521.

The expedient of making compulsory loans by means of the issue of Treasury notes was not abandoned at the close of the war.¹ Two more emissions were made, the first in 1769, to provide funds for the survey of the boundary of the Cherokee lands, as well as to defray the cost of an importation of copper money. These notes were to be redeemed in two years, and although no money seems to have been imported, the notes were duly issued. Yet since the taxes, on which they were based, produced over £11,000, they were promptly redeemed.² A second emission of £30,000 was made in March 1771³ to cover losses of tobacco in the public warehouses; and these were likewise well secured by taxes. Both these issues of notes were so badly counterfeited that the Governor was obliged to call an extra session of the Assembly in 1773.⁴ This body authorized a loan of £36,834, if it could be made, to retire the old notes. In case of failure to obtain this the Governor was empowered to issue "promissory notes" to be redeemed in 1774.⁵ These were not to be legal tender, but were to pass current among "all who may be willing to receive them." In case the taxes did not suffice to sink them all by 1774, new Treasury notes were to be substituted for them. Already the possibility of war was recognized, and the impending conflict doubtless served to depress the value of this paper money. The provisions of the law itself show a lack of confidence among the Burgesses as to the future.

The old issues of notes, although in the estimation of the Assembly fully secured by taxes, had by no means disappeared from circulation. In 1772, three years after the date for their retirement, there was £88,189, or nearly \$500,000 worth of them still in the hands of the people. The

¹ Hening viii, 346.

² *Journal*, March 6th, 1772.

³ Hening viii, 500.

⁴ *Journal*, March 4th, 1773.

⁵ Hening viii, 647.

funds for their redemption exceeded this by over £11,000, but of these estimated assets, £18,000 consisted of arrears of taxes, which were largely bad debts.¹ The defalcation of the late treasurer had given a considerable shock to public confidence; and Indian troubles had imposed an additional debt of £150,000 on the colony.² Moreover, counterfeiting was rife, and no hard money was to be obtained at any price. Under such conditions, it is no wonder that statesmen should contemplate with alarm a great war, which must be fought largely upon credit. The disasters which attended the succeeding issues of paper money belong, however, to a history of the Revolutionary war. It suffices here to know that previous to that time, Virginia had made a record more creditable than almost any of the other colonies.

¹ *Journal*, March 6th, 1772.

² Phillips, *Historical Sketch of American Paper Currency*, i, 200.

CONCLUSION.

In many respects the development of the financial institutions of Virginia is not unlike that of the other American colonies. As in New York, this colony was founded and managed for a time by a private corporation, instituted for purely commercial purposes. And the same development which ensued in the Dutch West India Company took place here; that is to say, the private company soon succumbed to the pressure of permanent public policy. In the second place, Virginia was subject to the same restrictions upon the levy of import duties, which prevented New York and Massachusetts from deriving any considerable revenue from this source. The effect in both cases was to throw the colonies back upon their own resources, such as direct taxes upon property or upon the export of their own products. But in this respect Virginia enjoyed a particular advantage over the other colonies, in that her staple products were by no means entirely consumed in Great Britain. Four-fifths of her tobacco exports merely passed through England, yielding a handsome profit to British merchants on the way. The agricultural products of the middle colonies, on the other hand, were excluded from the mother country absolutely; while the naval stores and lumber of New England were needed for the Royal navy, and could not be heavily taxed without serious detriment to British interests. As a consequence of these conditions of trade, Virginia alone was offered an exceptional opportunity to tax her exports, and thereby to decrease greatly the necessity for direct taxes

upon polls or property without interference from Great Britain.

In all the colonies alike, the general property tax tended toward the middle of the seventeenth century to become, first a resource upon extraordinary occasions, and then a permanent basis of revenue. But this peculiar commercial advantage of the southern colony relieved her from the disagreeable expedient of direct taxation to some extent; so that the poll remained substantially as the sole form of a direct tax for a century and a half. Had her revenues from tobacco failed, as did the slave duty, by reason of the cupidity of the mother country, there would have been no escape from the general property tax which was so common among the other colonies. As it was, the absence of a tax of this nature formed the most distinctive difference which existed between the systems of Virginia and the northern colonies.

It is not difficult to discover another cause for this fundamental difference between the two systems. The general property tax is based upon possessions as the measure of ability to contribute. The poll tax, on the other hand, in a slave-holding community, measures the ability according to the power of production. Lands, buildings and other forms of realty are regarded as merely inert passive conditions favorable to the creation of new wealth, but of no value till the labor of man has developed their latent productive capacities. And this productivity should be directly proportioned to the labor expended upon them. Consequently a tax measured by the amount of this labor will correspond approximately to the total wealth which will be produced by the combined action of land, labor and capital. That is to say, in the system of slavery, labor and capital being united in one person, a tax upon the poll will be at once a tax upon possessions and upon productive ability.¹ An income tax was

¹ *Vide* note to page 21, and page 27.

required in Massachusetts to round out this primitive natural theory of ability, by supplementing the general property tax upon possessions. And when this element disappeared, following the course of history the world over, possessions remained as the sole measure of taxable ability. In Virginia this separation could not be effected, since both elements of production were combined in the slave; and consequently the conception of productivity as opposed to property persisted as the basis of taxation.

Slavery is a primitive natural process of production. The poll tax is a simple expedient, which is peculiar to a less highly developed state of society than that of free contract. The one is a logical result of the other, even although in this case the poll tax was not considered as *nota captivitatis* as it was in Rome. Slavery, therefore, is the ultimate factor which distinguished the colony of Virginia from those of New England. Her people came from the same nation, with the same inherited tendencies, subject to the same regulations of the mother country. But their fiscal systems became radically different, because the outward conditions of climate, soil, and situation were totally unlike. This history attests the truth of the law that the direct immediate environment is after all the most powerful factor in shaping early social institutions. In ethics, politics, and all the relations of intellectual life, this influence is less marked. Taxation and finance, however, are the connecting links between the material and the invisible bonds of society; and their form is dependent upon both the one and the other of its constituent parts.

Perhaps it is the greatest significance of this system of negro slavery, that it shows so clearly the intimate relations which obtain between the political and economic institutions of society. In a slave-holding community social privileges and class distinctions are bound to exist. These tend to the

cultivation of a conservative spirit, which is especially characteristic of the fiscal policies of aristocratic societies, these being dominated by representatives of vested interests. A further consequence of this social differentiation is that friction between the various orders of the people will be engendered; which will be most pronounced in matters of finance and taxation, since on this ground the personal rights of the many and the property rights of the few come into apparent conflict. To study the course of this development is to throw a new light upon many questions which are of great social importance to the student of human institutions. And in this possibility rather than because of any valuable technical results which may be discovered, lies the justification for a study of the finances of primitive societies.

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